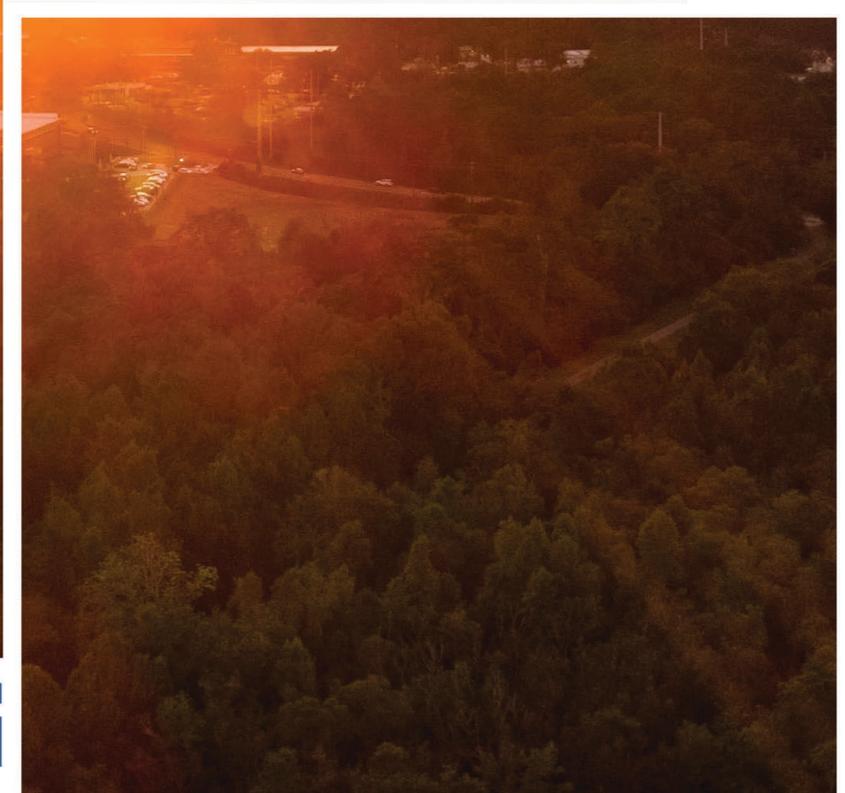




CITY OF TALLAHASSEE

ANNUAL REPORT TO BONDHOLDERS *For the Fiscal Year Ended September 30, 2023*



City of Tallahassee

Elected Officials

John Dailey
MAYOR

Curtis Richardson
MAYOR PRO TEM - COMMISSIONER

Jeremy Matlow
COMMISSIONER

Jacqueline “Jack” Porter
COMMISSIONER

Dianne Williams-Cox
COMMISSIONER

Administration

Reese Goad
CITY MANAGER

Jim Cooke
CITY TREASURER-CLERK

Amy Toman
CITY ATTORNEY

Dennis Sutton
CITY AUDITOR/INSPECTOR GENERAL

PURPOSE OF THE ANNUAL REPORT TO BONDHOLDERS

The Fiscal Year (FY) 2023 Annual Report to Bondholders has been prepared by the City of Tallahassee to provide information concerning the City, its financial operations and its indebtedness. This information is made available to current security holders and potential purchasers of securities in the secondary market, dealers, security analysts, rating agencies, Nationally Recognized Municipal Securities Information Repositories (NRMSIRs), and other interested parties. The City of Tallahassee has selected DAC as the City's disclosure/dissemination agent. This FY 2023 Annual Report to Bondholders is available on the City's website at www.talgov.com, and can also be found on the DAC website at www.dacbond.com and on www.tallahasseebonds.com. The DAC website also hosts related City documents, including official statements for outstanding debt.

In addition to this Report, each fiscal year the City of Tallahassee prepares an Annual Comprehensive Financial Report (ACFR), which includes audited financial statements in accordance with generally accepted accounting principles. This document is available from the City upon request. The ACFR is also hosted on the City's website as well as on the DAC site. The current external auditor for the City is MSL, CPA's and Advisors, Tallahassee, Florida.

In compliance with SEC rule 15c2-12, the City has entered in undertakings to provide secondary market information in connection with the following bond issues:

- \$37,455,000 Capital Bond, Series 2022, dated November 1, 2022
- \$6,035,000 Capital Bonds, Series 2021 dated December 8, 2021;
- \$27,320,000 Capital Bonds, Series 2018, dated July 10, 2018;
-
- \$26,975,000 Capital Bond, Series 2009, dated April 24, 2009;
- \$7,310,000 Public Improvement Revenue Note, Series 2020, dated October 1, 2020;
- \$7,994,600 Transportation Improvement Bond, Series 2019, dated May 10, 2019;
- \$59,790,000 Energy System Refunding Revenue Bond, Series 2023, dated October 1, 2023
- \$80,195,000 Energy System Refunding Revenue Bonds, Series 2020, dated August 6, 2020;
- \$104,975,000 Energy System Revenue Bonds, Series 2018, dated February 27, 2018;
- \$147,295,000 Energy System Refunding Revenue Bonds, Series 2017, dated July 20, 2017;
- \$122,280,000 Energy System Revenue Bonds, Series 2010B, dated November 22, 2010;
- \$34,720,000 Consolidated Utility Systems Refunding Revenue Bond, Series 2023, dated October 1, 2023
- \$14,875,000 Consolidated Utility Systems Refunding Bonds, Series 2020, dated August 6, 2020;
- \$45,385,000 Consolidated Utility Systems Revenue Bonds, Series 2018, dated June 12, 2018;
- \$115,060,000 Consolidated Utility Systems Refunding Bonds, Series 2017, dated November 29, 2017; and
- \$117,015,000 Consolidated Utility Systems Revenue Bonds, Series 2010A, dated September 21, 2010.

The release of this report in conjunction with the City's ACFR satisfies, in the City's opinion, the requirements for annual disclosure as set forth in the undertakings. The City is committed to fulfilling its disclosure obligations, as now or as may hereafter be defined by the SEC. While the City is committed to the release of secondary market information necessary to evaluate the City's credit, the City is making no on-going commitment to the publication and release of future Reports to Bondholders and in the future its disclosure obligations may be met through supplements or enhancements to its Annual Comprehensive Financial Report or through the release of other documents.

The City has not undertaken an independent review or investigation to determine the accuracy of information that has been obtained from other sources. Certain information presented

herein has been obtained from sources that are believed by the City to be reliable, but neither the City nor the elected or appointed officials make any representations or warranties with respect to the accuracy or completeness of that information.

Additionally, to the extent that certain portions of the Annual Report constitute summaries of documents, reports, resolutions, or other agreements relating to the operations or outstanding debt of the City, this Report is qualified by reference to each such document, report, resolution, or agreement, copies of which may be obtained from the Office of the City Treasurer-Clerk. The Report contains certain capitalized undefined terms. Such terms are defined in the resolutions of the City authorizing the issuance of the respective bonds of the City.

The City encourages readers of the report to provide suggestions that will improve the readability or usefulness of the report. Questions concerning the information contained herein or suggestions should be directed to:

Office of the City Treasurer-Clerk
City of Tallahassee
300 South Adams Street, Box A-32
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389
treasury@talgov.com

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OVERVIEW

The City’s Fiscal Year 2023 Annual Report to Bondholders is designed to provide a reader, with no prior background, general information regarding the City and its debt as of September 30, 2023.

Borrowing in Fiscal Year 2023

In November of 2022, the City issued a \$37,455,000 Capital Refunding Bond, Series 2022. The bond was privately placed, and the proceeds were used to refund the Capital Bonds, Series 2012 and the Capital Bonds, Series 2014.

In September of 2023, the City exchanged the Taxable Energy System Refunding Revenue Bond, Series 2022 for the tax-exempt \$59,790,000 Energy System Refunding Revenue Bond, Series 2023, and the Taxable Consolidated Utility Systems Refunding Revenue Bond, Series 2022 for the tax-exempt \$34,720,000 Consolidated Utility Systems Refunding Revenue Bond, Series 2023. Both bonds were privately placed at the terms previously agreed to upon issuance of the taxable bonds.

Ratings

In 2015, the City decided to have each of its bond programs rated by only two credit ratings agencies rather than three. The rating from Moody’s for the Consolidated Utility Systems Bonds and the rating from Fitch for the Energy System Bonds, respectively, only apply to bonds issued before 2015.

Tallahassee’s bond ratings are summarized as follows:

	Moody’s Investors Service, Inc.	Standard & Poor’s Rating Services	Fitch Ratings, Inc.
Capital Bonds	Aa2	NR	AA+
Consolidated Utility Systems Bonds	Aa1	AA	AA+
Energy System Bonds	Aa3	AA	AA

Significant Revenue Factors

Funding for the City’s governmental activities comes from property taxes and a limited number of other taxes as authorized by the State Legislature (sales, gasoline, utility services, and telecommunications), and other fees to recover the costs of services provided. Revenue is also received from state-shared revenues and grants from state and federal governments.

Revenues for the business-type activities and certain governmental activities (permitting, recreational programs, etc.) come from user fees or service charges. The consumption of the City’s utilities is impacted by local weather patterns and the growth of new homes and businesses in the market. In recent years, there has been a decreasing consumption trend per capita in all the utilities due mainly to the City’s demand side management programs. The resulting slower growth in demand has allowed the City to defer adding generating capacity for its electric utility. The cost of fuel is recovered from customers through cost recovery adjustments that are not part of base rates to customers. The Electric Fund maintains a reserve account that has been used in the past to reduce the impact to electric customers of steep increases in the market price of fuel. The balance in this fund as of September 30, 2023, was approximately \$95 million.

Pension

Based on the City's most recent actuarial report, dated October 1, 2022, the City of Tallahassee Pension Plan had a funded ratio of 89.7% at September 30, 2022. Additional information on the City's Pension Plan can be found in the City's Comprehensive Annual Financial Report.

Rate Increases

City ordinance provides for automatic rate adjustments for each of the utilities effective October 1 of each year equal to the 12-month increase in the Consumer Price Index. Effective October 1, 2023, base rates for electricity, natural gas, water and sewer services increased by 5.0%.

Ad Valorem Millage Rate

Property taxes can significantly impact the citizen's perception of economic success. The City's FY 2023 millage rate of 4.1000 mills is lower than all the comparable cities listed below. However, not all the comparable cities have implemented a separate fire services fee to cover the cost of fire protection as the City of Tallahassee has done.

MILLAGE RATES						
City	2023 Population	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Miami	459,224	7.59	7.57	7.67	7.55	7.55
Orlando	321,904	6.65	6.65	6.65	6.65	6.65
St. Petersburg	264,220	6.76	6.76	6.66	6.66	6.53
Tampa	401,512	6.21	6.21	6.21	6.21	6.21
Gainesville	145,879	4.75	4.30	5.50	5.50	5.50
Lakeland	120,279	5.46	5.46	5.43	5.43	5.43
Port St. Lucie	224,916	5.08	5.05	4.88	4.73	4.73
Fort Lauderdale	189,019	4.12	4.12	4.12	4.12	4.12
Tallahassee	200,289	4.10	4.10	4.10	4.10	4.10

Jacksonville was not included in the table since it is a consolidated city/county with varying millage rates for different sections of the county. The above does not include voted debt service millage of .5693 for Port St. Lucie. Population data is based upon April 1, 2020 estimates from the State of Florida, Office of Economic and Demographic Research.

Property Tax Revenues

Property taxes are expected to provide 32.8% of General Fund revenues (including transfers) in FY 2024. Taxable values have increased moderately (between 3% and 9% annually) since 2014, as shown in the table below. Over the last ten years, millage rates have ranged from 3.70 to 4.20 mills as shown in the table below.

Property Tax Levies and Collections (in 000s of dollars)						
Fiscal Year	Millage Rates	Total Market Valuation	Taxable Assessed Valuation	Levy	Collection	Percentage ⁽¹⁾
2014	3.70	16,160,618	8,818,106	32,673	31,524	96%
2015	3.70	16,944,644	9,226,228	34,392	32,938	96%
2016	4.20	17,451,681	9,594,506	40,352	38,887	96%
2017	4.10	17,972,266	9,965,230	40,857	39,699	97%
2018	4.10	18,540,283	10,466,855	42,975	41,482	97%
2019	4.10	19,628,202	11,144,101	45,858	44,032	96%
2020	4.10	20,668,777	11,923,851	49,015	47,061	96%
2021	4.10	21,763,513	12,669,469	52,519	50,169	96%
2022	4.10	22,684,809	13,229,378	54,240	51,414	95%
2023	4.10	24,992,532	14,397,967	59,032	57,912	98%

- (1) Florida Statutes provide for a discount of up to 4% for early payment of ad valorem taxes. All unpaid taxes become delinquent on April 1 and are sold at auction on June 1 of each year as tax certificates. The City, after all tax certificates are sold, has fully collected all ad valorem tax revenues.

General Fund Transfers

The methodology for calculating General Fund transfers from the Electric Fund was updated by City Commission Policy #224 (Financing the Government Policy) adopted February 13, 2013. The base transfer amount was set at \$23.9 million and increases annually by CPI; the base amount was increased by \$3.9 million in FY 2015. The Electric Fund operates on a full recovery of costs basis.

The methodology for calculating General Fund transfers beginning in FY 2017 from the Gas, Sewer, and Solid Waste Funds was updated by the City Commission on December 6, 2017. Base transfer amounts were established for each fund (\$2.8mm, \$4.6mm, and \$1.8mm, respectively) and increase annually by CPI. These funds operate on a full recovery of cost basis.

The methodology for calculating General Fund transfer beginning in FY 2017 from the Water Fund was updated by the City Commission. A base transfer amount of \$3.4mm was established and will increase annually by CPI. The Water Fund operates on a full recovery of costs basis. In addition, revenue projected from surcharges in the subsequent fiscal year is transferred to the general fund to support parks and recreation services per the interlocal agreement with Leon County.

The table below provides the transfer amounts (in dollars) to the General Fund from the various utility systems over the past five years.

General Fund for Various Utility Systems (000's of dollars)				
Fiscal Year	Electric	Gas	Water and Sewer	Solid Waste
2019	\$30,501,927	\$2,966,856	\$8,465,489	\$1,925,189
2020	\$31,081,464	\$3,023,226	\$8,626,333	\$1,961,768
2021	\$31,547,686	\$3,068,574	\$8,755,728	\$1,991,195
2022	\$32,367,926	\$3,148,357	\$8,983,377	\$2,042,966
2023	\$35,119,200	\$3,415,967	\$9,746,964	\$2,216,618

FY 2024 Capital Budget

The City’s FY 2024 Capital Budget is appropriated at \$253 million, with \$80.8 million budgeted in the General Government Funds and \$172 million in the Enterprise and other funds. The City’s Five-Year Capital Improvement Plan (2024 – 2028) totals \$1.09 billion, with appropriations made on an annual basis.

Significant projects planned in the Five-Year Capital Improvement Plan in various enterprise funds include the modernization of the terminal (\$9.9 million) at the Tallahassee International Airport; distribution, transmission, and substation improvements for the electrical system (\$182.4 million); rehabilitation or replacement of sewer collection and treatment infrastructure to extend its expected life and reduce stormwater infiltration and inflow (\$35.9 million); water system distribution improvements (\$21.3 million); and various stormwater improvements (\$41.5 million).

General government projects in the five-year plan include the rehabilitation of the Kleman Plaza Garage (\$27 million) and the construction of a new Fire Station (\$24 million). Other projects include improvements to Maclay Commerce Drive (\$8 million), construction of the new Senior Center (\$25 million), and other street and sidewalk improvements (\$45.5 million).

Some projects within the City’s Five-Year Capital Improvement Plan will require the issuance of new debt. A new Public Safety Campus/Tallahassee Police Headquarters located at the Northwoods property site, a Northside Senior Center, and a new Fire station/Auxiliary Dispatch Facility/Community Center located on Lake Bradford Road are the major projects. These projects are still in the development phase, which includes design and cost analysis. These projects would need to be reviewed and approved by the City Commission prior to proceeding.

Economic and other Factors that may Impact the City’s Financial Position

The presence of two state universities, a community college and the state government provide a stabilizing influence on the City of Tallahassee’s financial position. Leon County’s unemployment has consistently been lower than the national level, which was the case in 2023.

As with any capital city, the health of the state government will continue to have a substantial impact on the economic or financial health of the City of Tallahassee. State government sales tax revenues were at near-historic high levels in 2023, a strong indicator for one of the largest industries in the City. The City continues to monitor other state and local revenue streams, such as the Communication Services Tax, and contracts lobbying services to advocate for its financial interest at both the state and federal levels. Additionally, the City is deliberate in seeking out state and federal grant opportunities to support the services it provides to its citizens.

Alongside the state workforce, Tallahassee’s institutions of higher learning continue to be major economic drivers in the community. Ongoing partnerships with these institutions represent significant

economic and development opportunities for the City. Most recently, increased partnerships between the universities and the City have helped attract companies to relocate to Tallahassee, especially those interested in the research being performed by Florida State University's National High Magnetic Field Laboratory. Furthermore, while college education costs have come under increased scrutiny in the past couple of years, state university tuition remains affordable compared to public universities in other states.

The City is actively involved in recruiting new businesses and employers to the area by providing a number of incentives and funding for eligible businesses as well as planning tools designed to promote economic development. This strategy has been successful in attracting new businesses and supporting existing businesses. In 2023, Amazon opened a 635,000-square-foot robotics fulfillment center that supports 1,300 full-time jobs. In addition to this initial location on the east side of town, Amazon is completing a last mile center on the west side of Tallahassee. In Innovation Park, Danfoss Turbocor will soon complete a 167,000-square-foot manufacturing facility. The expansion will nearly double its current workforce of 260 employees. The Tallahassee International Airport has increased its economic impact in 2023 to \$859 million, up 43 percent from 2019.

Additionally, the City is now serviced by JetBlue, its first low-cost carrier. The establishment of a Foreign Trade Zone is underway and is anticipated to create more than 1,600 jobs and generate more than \$300 million annually in economic impact. As a result of years of investment across numerous sectors, the GDP of Tallahassee grew from \$17.5 billion in 2019 to \$19.2 billion by the end of 2022. When 2023 figures are released, GDP is anticipated to approach \$20 billion.

Another sign of economic activity is the number of new developments completed or under construction throughout the City. In FY 2023, the City permitted 690,000 square feet of new commercial space. A continued increase in economic activity is further evident in the 71% growth of commercial square feet permitted in the first quarter of FY 2024 compared to the first quarter of FY 2023. The Cascades Project, adjacent to Cascades Park downtown, includes a new 150-room AC Hotel, 161 apartments, and office space. Another downtown development project, Industry Apartments, is beginning to lease its first tenants. Once fully leased, the development will feature 231 apartments, 17 townhouses, and 15,000 square feet of retail space. The Canopy Project, a mixed-use development of 505 acres, continues to build out apartments and hundreds of new single-family homes. South of downtown, SoMo Walls is nearing completion on 33,000 square feet of dining, retail, service, and office space. New subdivisions continue their construction of single-family homes in various sectors of the City while a number of apartment complexes and condominium units are planned or underway across the community. In addition to private investment, the City has a five-year Capital Improvement Plan of \$1 billion, encompassing 197 projects aimed at improving roads, sidewalks, and utilities to enhance the overall appeal of Tallahassee for both businesses and residents. Additionally, the Blueprint Intergovernmental Agency is contributing more than \$500 million through its five-year capital plan, further bolstering public investment in the region through additional roadway improvements, bike and pedestrian facilities, developed public space, and new public parks.

Founded in 1948, Tallahassee Memorial HealthCare (TMH) is a private, not-for-profit community healthcare system committed to transforming care, advancing health, and improving lives with an ultimate vision to elevate the standards of healthcare practice, quality and innovation in the Big Bend region of Florida. Serving a 21-county area in North Florida, South Georgia and South Alabama, TMH is comprised of a 772-bed acute care hospital, a surgery and adult ICU center, a psychiatric hospital, multiple specialty care centers, three residency programs, 38 affiliated physician practices and partnerships with Alliant Management Services, Apalachee Center, Calhoun Liberty Hospital, Capital Health Plan, Doctors' Memorial Hospital, Florida State University College of Medicine, Radiology Associates, University of Florida Health, Weems Memorial Hospital and Wolfson Children's Hospital. TMH will expand its service footprint with a health care campus in Panama City Beach in Bay County; TMH is partnering with Florida State University and the St. Joe Company on this project, which will include an 80,000-square-foot medical office building slated to open in summer 2024 and a 100-bed hospital to be completed in 2027. FSU and TMH are also partnering to build an academic health center of the future in Tallahassee. The State of Florida awarded Florida State University \$125 million in 2022. The new academic health center will be located on TMH's main campus.

The facility, scheduled to be complete in 2026, will provide about 130,000 square feet of medical and research-related space. It will accommodate an estimated 30 principal investigators and is expected to produce an estimated \$40 million of additional annual grant funding.

Significant Technology Improvements

The City of Tallahassee has embarked on this project to implement a new technology system to replace the City's current legacy systems: Mobile Work Management and CityWorks. The City's end goal is to implement an Enterprise Work Asset Management System (WAMS) and Field Mobile Work Management System (FMWMS) to enhance the City's service order business operations, providing a wide array of operational and customer-facing opportunities, and increasing administrative efficiency by using a single system for Utilities.

Electronic Dissemination of Information

As part of its continuing effort to efficiently provide continuing disclosure information to investors and other users, the City of Tallahassee makes use of electronic methods for dissemination of information. Information is available at several locations, including the City's website, www.talgov.com, an investor relations website, www.tallahassee.bonds, and the website of DAC, www.dacbond.com.

The City's website also has other useful information available, including the City's approved budgets and Annual Financial Reports for each of the last ten years as well as the Annual Report to Bondholders for the last ten years.

DAC

The DAC website hosts a variety of debt information. DAC acts as a disclosure dissemination agent for issuers of municipal bonds by electronically posting information on behalf of issuers. Investors and others may access disclosure on any municipal bond in the DAC System free of charge by registering for a password. In addition to the City's FY 2023 Annual Report to Bondholders, annual reports from the past several years are available on the DAC site. Official statements for each of the outstanding issues summarized in this annual report are also posted, as are several ACFRs from recent years.

If you are new to the DAC System, please click *Register* in the "DAC for Investors" section on the home page, complete the registration form and submit. You can set Event Filters for your account by logging into the DAC System and clicking the *Profile* icon to receive email notification whenever something new is filed by the City. You may search by CUSIP number, obligor, issuer, issue description, bond type, city and state, county, and state, or by state only.

Bondlink

The City has engaged Bondlink to provide an additional website for the City's investor relations, www.tallahasseebonds.com. The new website is designed to increase transparency and drive more traffic to the website and expand our investor base with both institutions and retail buyers, ultimately lowering the City's financing costs.

Contact

You may contact the Office of the City Treasurer-Clerk at the address and phone number below:

Office of the City Treasurer-Clerk
City of Tallahassee
300 South Adams Street, Box A-32
Tallahassee, Florida 32301-1731
(850) 891-8130; FAX (850) 891-8389

THE CITY OF TALLAHASSEE

General

The City of Tallahassee (hereinafter referred to as “Tallahassee” or the “City”) was incorporated in 1825 following a decision by the Legislature to locate the capital of the new Florida Territory midway between the population centers of St. Augustine and Pensacola. The capital city of Florida, Tallahassee is located in the north central portion (the panhandle or the big bend area) of Florida, midway between Jacksonville and Pensacola. The Georgia state line is less than 20 miles to the north, and the Gulf of Mexico is 25 miles to the south at St. Marks, Florida on Apalachee Bay. The City covers an area of 105.20 square miles.

Since 1919, when the State Legislature passed the Charter Act, the City has been governed by a modified Commission-Manager form of government with five Commissioners, each selected at-large for four-year, overlapping terms. Until 1996, when the Charter was amended to provide for direct election of a Mayor with four Commissioners, the position of Mayor rotated annually among the Commissioners. The City Manager, the City Treasurer-Clerk, the City Auditor, and the City Attorney are appointed by the City Commission. Collectively, the appointed officials are responsible for all administrative functions of the government, with most of the administrative and operations functions falling under the purview of the City Manager. The remaining administrative functions are the responsibility of the other appointed officials as indicated by their titles.

Tallahassee, the county seat, is the only incorporated municipality in Leon County, Florida (the "County"), and is located approximately in the center of the County. Tallahassee is the largest city in the Tallahassee Metropolitan Statistical Area ("MSA"), which consists of Leon, Gadsden, Jefferson, and Wakulla counties.

The City is a full-service city providing citizens with a full complement of municipal services, including public safety (fire and police), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, and general administrative services. The City owns and operates five utilities, including an electric generation, transmission and distribution system; a natural gas distribution system; a water production and distribution system; a sewage collection and treatment system; and a stormwater drainage utility system. Additional enterprise activities owned and operated by the City include the Tallahassee International Airport and a public transit system.

The Tallahassee economy has grown moderately over the past several years, with increasing elements of diversification. The COVID-19 pandemic did have a meaningful impact on unemployment; however, Leon County and the State of Florida have seen unemployment rates return to pre-pandemic levels. The major economic factor historically has been the State government. The City serves as an educational center, with three institutions of higher learning, and as the financial, trade and health center for a surrounding 13-county geographic region with a population of over 580,000.

Tallahassee, the county seat, is the only incorporated municipality in Leon County, Florida (the “County”), and is located approximately in the center of the County. With an estimated 2023 population of 201,833, Tallahassee is the largest city in the Tallahassee Metropolitan Statistical Area (“MSA”), which consists of Leon, Gadsden, Jefferson, and Wakulla counties.

The City of Tallahassee is a full-service city providing citizens with a full complement of municipal services, including public safety (fire and police), construction and maintenance of streets and sidewalks, stormwater management, recreation, planning and zoning, and general administrative services.

The City owns and operates five utilities, including an electric generation, transmission and distribution system serving an average of 127,157 customers in the City and the adjacent urban area; a natural gas distribution system serving 34,561 customers; a water production and distribution system serving 88,183 metered water customers within the corporate City limits and the adjacent urban areas; a sewage collection and treatment system serving 75,927 customers, principally within the City limits; and a stormwater drainage utility system serving the area within the corporate City limits serving 82,212 customers. Additional

enterprise activities owned and operated by the City include the Tallahassee International Airport and a public transit system.

The Tallahassee economy has grown moderately over the past several years, with increasing elements of diversification. The COVID-19 pandemic did have a meaningful impact on unemployment; however, Leon County and the State of Florida have seen unemployment rates return to pre-pandemic levels. The major economic factor historically has been the State government. The City serves as an educational center, with three institutions of higher learning, and as the financial, trade and health center for a surrounding 13-county geographic region with a population of over 580,000.

Climate/Geography

Tallahassee has the mild, moist climate characteristic of the states located on the Gulf of Mexico and experiences a subtropical summer similar to the rest of Florida. In contrast to the Florida peninsula itself, the panhandle (which includes Tallahassee) experiences four seasons.

Tallahassee's rolling landscape, typical of regions further north, is unique among the major cities of Florida. Some areas of Leon County exceed elevations of 200 feet. However, south of the City, the hills yield to the terrain that is typical in the rest of Florida. The northern portion of the county consists of a thick layer of sand, silt and clay overlying limestone forms while most of the southern area is characterized by flat, sandy lowlands.

The Tallahassee-Leon County area possesses excellent wildlife reserves located in the terrain north of Tallahassee and in the Apalachicola National Forest south of Tallahassee. Numerous lakes are available for freshwater fishing, including: Lake Iamonia, Lake Jackson, Lake Miccosukee, and Lake Talquin.

Population

The 2022 American Community Survey (the "Survey") results show a racially diverse community, with minorities accounting for 42% of the Leon County population. The population of the City of Tallahassee is young, with a median age of 27.6 years. Tallahassee residents have historically attained a comparatively high level of education. According to the Survey, 49.9% of City residents age 25 or older have completed at least four years of college, compared to 32.3% for the State of Florida. These population characteristics largely reflect the influence of the two major universities, a large community college, State government, and the resulting high level of professional employment.

The City and Leon County have generally experienced, and are expected to continue to experience, a steady increase in population as depicted in the following table:

POPULATION

TALLAHASSEE			LEON COUNTY		FLORIDA		UNITED STATES	
<u>Year</u>	<u>Population</u>	<u>Annual Change</u>	<u>Population</u>	<u>Annual Change</u>	<u>Population</u>	<u>Annual Change</u>	<u>Population</u>	<u>Annual Change</u>
1960	48,174 ¹	5.9%	74,225 ¹	3.7%	4,952,000 ¹	6.0%	179,323,000 ¹	1.7%
1970	72,624 ¹	4.2%	103,047 ¹	3.3%	6,791,000 ¹	3.2%	203,304,000 ¹	1.3%
1980	81,548 ¹	1.2%	148,655 ¹	3.7%	9,740,000 ¹	3.7%	226,505,000 ¹	1.1%
1990	124,773 ¹	5.3%	192,493 ¹	2.6%	12,938,000 ¹	3.3%	248,710,000 ¹	1.0%
2000	150,624 ¹	1.9%	239,452 ¹	2.2%	15,982,400 ¹	2.1%	281,422,500 ¹	1.2%
2010	181,376 ¹	0.6%	275,487 ¹	1.4%	18,801,300 ¹	1.8%	308,745,500 ¹	0.9%
2020	196,169 ²	0.8%	292,198 ²	0.6%	21,538,187 ²	1.4%	331,449,300 ¹	0.7%
2023	201,833³	0.9%	301,724²	1.1%	22,634,867²	1.7%	334,906,000¹	0.3%
2030	217,800 ³	1.0%	317,200 ²	0.8%	24,471,100 ²	1.3%	345,074,000	0.4%
2040	230,700 ³	0.6%	332,200 ²	0.5%	26,405,500 ²	0.8%	355,309,000 ¹	0.3%

Source: (1) U.S. Census Bureau

(2) Bureau of Economic & Business Research

(3) Tallahassee-Leon County Planning Department

Employment

Tallahassee’s employment is non-agrarian in nature and heavily oriented toward governmental employment. Historically this concentration of government employment, representing 31% of all non-agricultural Tallahassee metro area employment in 2023, has helped to keep unemployment relatively low. In addition, due to government employment which calls for large numbers of professional and white-collar employees, Tallahassee and Leon County enjoy relatively high-income levels, especially when compared to surrounding counties. In the Capital Region (Gadsden, Leon, and Wakulla counties), Professional and Business Services, Education and Health Services, and Leisure and Hospitality are projected to create the most jobs while Professional and Business Services is expected to experience the largest annual percentage growth in employment by major industry between 2023 and 2031.

In an effort to diversify the area’s economy, the local government and the Chamber of Commerce work closely together to attract additional employers to the area and to assist the expansion of existing local industries. Since 1992 the Economic Development Council of Tallahassee-Leon County has marketed Tallahassee’s economic advantages – research and high technology, healthcare providers and human resources – focusing on companies in financial services, education, technology, light manufacturing, distribution and healthcare. In 2016, the Tallahassee-Leon County Blueprint Intergovernmental Agency, whose governing board consists of all of the elected officials of both the Tallahassee City Commission and the Leon County Commission, became the lead agency for economic development for the area, replacing the Economic Development Council. The newly created Office of Economic Vitality under Planning, Land Management and Community Enhancement (PLACE), the department that administers the workings of the Intergovernmental Agency, coordinates a variety of public and private organizations to attract and grow new businesses within Leon County.

The City’s employment base has provided its citizens with an economic environment which historically has been insulated from national economic trends. As a result, the City and Leon County have been able to maintain an unemployment rate that is often substantially below the State of Florida and United States averages as shown in the table below. Since these rates are annual averages, they are not seasonally adjusted.

ANNUAL AVERAGE UNEMPLOYMENT RATE

<u>Year</u>	<u>Leon County</u>	<u>Florida</u>	<u>United States</u>
2014	5.7%	6.5%	6.2%
2015	5.1%	5.5%	5.2%
2016	4.6%	4.9%	4.9%
2017	4.0%	4.3%	4.4%
2018	3.5%	3.6%	3.9%
2019	3.2%	3.2%	3.7%
2020	6.2%	8.2%	8.1%
2021	4.3%	4.7%	5.4%
2022	3.0%	2.9%	3.7%
2023	3.0%	2.8%	3.6%

Sources: Florida Department of Economic Opportunity, Labor Market Statistics, Data Center, Local Area Unemployment Statistics; U.S. Department of Labor, Bureau of Labor Statistics

The table below depicts the employment distribution within the Tallahassee MSA.

EMPLOYMENT DISTRIBUTION

	<u>2023</u>	<u>Percent</u>
State Government	45,900	22.62%
Trade, Transportation, and Utilities	28,600	14.09%
Professional and Business Services	27,800	13.69%
Private Education and Health Services	27,300	13.45%
Leisure and Hospitality	21,500	10.59%
Local Government	14,300	7.04%
Mining, Logging and Construction	9,400	4.63%
Other Services	9,300	4.58%
Financial Activities	8,500	4.19%
Manufacturing	4,100	2.02%
Information	4,000	1.97%
Federal Government	<u>2,300</u>	<u>1.13%</u>
TOTAL	203,000	100%

Source: Florida Department of Economic Opportunity, Labor Market Statistics, Data Center, Current Employment Statistics

Principal Property Taxpayers Table

The following table shows the top ten principal taxpayers in the City of Tallahassee for the Fiscal Year ending September 30, 2023.

CITY OF TALLAHASSEE, FLORIDA		
PRINCIPAL TAXPAYERS		
Fiscal Year 2023		
<i>(in thousands)</i>		
Taxpayer	Total Taxable Value	Percentage of Total City Taxable Value
Smith Interest General Partnership	\$ 173,517	1.10%
Capital Regional Medical Center	109,267	0.69%
510 West Virginia Street	82,136	0.52%
District Joint Venture, LLC	76,443	0.48%
Florida Power & Light CO	68,453	0.43%
Tallahassee Westcott LLC	56,280	0.35%
Grove Park Apartments LLC	55,941	0.35%
Woodlands of Tallahassee LLC	54,024	0.34%
CX Evergreens at Mahan DST	51,701	0.32%
Comcast	47,083	0.29%
Total	<u>\$ 774,845</u>	<u>4.87%</u>

Education

The largest and oldest university in the City is Florida State University ("FSU"), which was founded in 1851 and is the home of the Florida State University Seminoles. FSU is known for its outstanding programs in business, education, fine arts, law, and natural sciences. A medical school was created in June 2000.

Tallahassee is also home to the Florida Agricultural and Mechanical University ("FAMU"), which was founded in 1887 and is the home of the Florida A & M Rattlers. Programs offered at FAMU have received recognition in the fields of architecture, agriculture, and pharmacy.

Tallahassee Community College ("TCC") offers the same curriculum for college transfer as that offered at the universities for the first two years. TCC offers over 70 credit degree programs, has historically partnered with regional universities offering on-campus learning opportunities, and now offers four baccalaureate degree programs. Beginning in 2024, TCC will officially change its name to Tallahassee State College.

Enrollment at the universities and the community college is shown in the following table:

Student Enrollment				
<u>Year</u>	<u>FSU</u>	<u>FAMU</u>	<u>TCC</u>	<u>Total</u>
2014	41,773	10,233	13,045	65,051
2015	41,473	9,920	12,557	63,950
2016	41,867	9,614	12,500	63,981
2017	41,900	9,909	12,400	64,209
2018	41,717	10,021	12,174	63,912
2019	42,876	9,626	12,134	64,636
2020	43,953	9,184	11,250	64,387
2021	45,493	8,994	12,016	66,503
2022	44,597	9,228	12,000	66,825
2023	43,701	9,215	12,500	65,416

Source: All figures are for Fall semesters. Information provided by the Registrar for each respective institution.

Medical Facilities

Tallahassee also provides Northwest Florida and South Georgia with extensive medical facilities. There are currently two full service acute care facilities, Tallahassee Memorial Healthcare, Inc. ("TMH") and HCA Florida Capital Hospital ("Capital Hospital"). TMH is a 772-bed hospital founded in 1948; Capital Hospital is a 288-bed facility that began serving patients in 1979. In addition to TMH and CRMC, medical care is provided to the region through outside public and private facilities, including a number of skilled nursing, convalescent and extended care facilities, and a 192,000 square foot Veterans Administration outpatient health care center.

Annexation - Process and History

The City of Tallahassee has had a long history of annexation activity as a means of achieving growth. During its first 150 years, Tallahassee expanded from one-quarter of a square mile in size to 28.18 square miles in 1974. The City Commission has approved nearly 200 annexations, both of developed and undeveloped parcels, to ensure its economic stability and better manage the developing urban area. Fourteen

annexations were passed through a double referendum as set forth by Florida law, requiring passage by the majority of the City residents and the residents in the affected area. Since 1990, all but two of the City's annexations occurred when all of the property owners in the affected areas requested incorporation of their property into the City.

Comprehensive Plan

In 1985, the Florida Legislature passed the Local Government Comprehensive Planning and Land Development Regulation Act (the "Planning Act"). This Act required all local governments to develop comprehensive plans designed to plan for and control the impact of growth. As applied to the City, the local plan includes the following elements:

- Future Land Use;
- Transportation;
- Utilities (except electric);
- Economic Development;
- Housing;
- Historic Preservation;
- Conservation;
- Recreation and Open Space;
- Intergovernmental Coordination; and
- Capital Improvements.

All local governmental plans must be fundable, implementable, and consistent with State and regional plans. They must discuss existing facilities, adopt levels of service to be provided and project future demands. The plans have the force of law (mandated by State statute and adopted by local ordinance) and are implemented through local development regulations, local activities and programs, and intergovernmental agreements.

The City originally adopted its Comprehensive Plan (the "Plan") on July 16, 1990. As required by the Act, the Plan was submitted to the State of Florida Department of Community Affairs (the "Department") for consistency review with the State and regional plans and to ensure compliance with all aspects of the Act and adopted rules of the Department. Additionally, pursuant to Section 163.3191, Florida Statutes, "each local government shall adopt an evaluation and appraisal report (EAR) once every seven years assessing the progress in implementing the local government comprehensive plan." The last EAR for the City and the County was submitted and approved in 2007. Effective beginning in 2011, local governments no longer need to submit evaluation and appraisal reports to the Department for a sufficiency determination. At least every seven years, pursuant to Rule Chapter 73C-49, Florida Administrative Code, the local government determines whether the need exists to amend the comprehensive plan to reflect changes in state requirements since the last time the comprehensive plan was updated. In practice, the Plan is amended as needed, each year, to ensure policies are up to date regarding community issues.

Enforcement of the Plan is achieved through the Land Development Code and other related City policies and procedures. The City is prohibited from issuing permits for new construction or development (residential or commercial) until the City determines that all necessary infrastructure, including utilities, is available at the appropriate levels of service, concurrent with the construction, and that the development of the facility is consistent with all elements of the Plan. The required utilities services include electric service, although it is not necessarily required that such electric service be provided by the City. This requires the City to more accurately project future needs and related capital improvements to ensure maintenance of standards set forth in the Plan.

Risk Management

The City's risk management program provides for coverage of all potential claims either through transfer of those risks to a third-party insurance carrier or through an actuarially funded self-insurance program. The City self-insures general liability, automobile liability, workers' compensation claims and employee practice liability. Other risks are covered through various forms of insurance. All departments are charged with their pro rata share of costs and expenses based upon actual losses and overall risk assumed. The self-insurance program is actuarially reviewed annually.

Numerous scientific studies on climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures will become more common, and extreme weather events like Hurricane Michael will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution. Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations could be displaced. However, the City is unable to predict whether sea level rise or other impacts of climate change or flooding from another major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City or the Pledged Revenues.

Computer networks and systems used for data transmission and collection are vital to the efficient operations of the City. City systems provide support to departmental operations and constituent services by collecting and storing sensitive data, including intellectual property, security information, proprietary business process information, information applying to suppliers and business partners, and personally identifiable information of customers, constituents and employees. The secure processing, maintenance and transmission of this information is critical to department operations and the provision of citizen services. Increasingly, governmental entities are being targeted by cyberattacks (including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems) seeking to obtain confidential data or disrupt critical services. A rapidly changing cyber risk landscape may introduce new vulnerabilities and avenues that attackers/hackers can exploit in attempts to cause breaches or service disruptions. Employee error and/or malfeasance may also contribute to data loss or other system disruptions. Additionally, the City's computer networks and systems routinely interface and rely on third party systems that are also subject to the risks previously described. Any such breach could compromise networks and the confidentiality, integrity and availability of systems and the information stored there. The potential disruptions, access, modification, disclosure or destruction of data could result in interruption of the efficiency of City commerce, initiation of legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruptions in operations and the services provided, and the loss of confidence in City operations. The City purchases Cyber Liability and Commercial Crime policies to address the above-referenced risks. The Cyber Liability policy provides the City with coverage for first party response and expense costs such as forensic analysis, expert cyber response counsel, public relations, business interruption and data recovery. This policy also provides liability coverage for damages as a result of a malicious act. The Commercial Crime policy provides coverage for direct loss by the City. In addition to these policies, the City's property insurance supplies limited coverage for physical loss to hardware and coverage for any resulting damage to property as a result of a malicious act. The City has also been updating insurance requirements for solicitations to require Cyber Liability insurance for contracts where appropriate.

The City from a holistic view focuses on five specific areas surrounding cyber-defense. These areas include infrastructural resilience and reliability through current platforms and consistent security patching, encryption of data while in transit and while at rest, replicated reliable backups through network segmentation and validation, promotion of a security-centered culture, and the use of network segmentation and defense-in-depth through which the use of multiple robust firewall solutions enhance endpoint notification and protection of the City's assets. The City has also enhanced its email protection through software that is

capable of alerting and mitigation of threats that resemble malware and phishing attempts while deploying enhanced endpoint protection. Finally, the City has partnered with DHS-Cybersecurity and Infrastructure Security Agency for an annual evaluation of infrastructure security, industry best practices, penetration testing, and user vulnerability and education training. However, no assurances can be given that any cyberattacks, if successful, will not have a material adverse effect on the operations of the City.

In April 2019, the City suffered a security breach of its payroll environment, whereby several City employees did not receive their payroll direct deposits. To address the issue, the City took the precautionary measures to build a more secure cybersecurity-based program surrounding its cloud-based applications. In a collaborative effort with the vendor, an additional robust security solution was put in place to provide greater security access filtering, with advanced logging. The password guidelines were updated to align with industry best practice, incorporating enhanced length and complexity requirements, and introducing a regular update cycle. Additionally, the City no longer will utilize a vendor-based VPN solution; all vendors must utilize a City-approved monitored VPN solution for greater accountability of user access. Currently, the City has contracted with a 3rd party vendor for penetration testing to identify potential vulnerability within the payroll environment. The City also activated an alert within the payroll systems that will notify all active users of changes surrounding any banking information relative to their accounts. Finally, the City is completing all current patching and formalizing encryption at rest and in transit. After application of insurance and recovery efforts, the City's net loss as a result of the breach was approximately \$70,000.

City Investment Policy

The City Treasurer-Clerk administers the City's investment program and is responsible for ensuring the proper management, internal controls, safekeeping, and recording of all investment assets held or controlled by the City. The City has promulgated a non-pension investment policy to govern the investment of all non-pension financial assets held or controlled by the City, not otherwise classified as restricted assets requiring separate investing (the "Investment Policy"). The Investment Policy sets forth standards for investing, safekeeping and custody requirements, and reporting requirements. Individual criteria consisting of, a minimum, objectives, authorized investments and performance evaluation criteria are established on an individual basis for specialized portfolios governed under specific legal constraints. Criteria for the City's core portfolio are also set forth in the Investment Policy. A copy of the Investment Policy may be obtained from the City Treasurer-Clerk's Office or through this link [Non Pension Investment Policy \(talgov.com\)](#).

During the 2023 legislative session, the Florida Legislature added section 112.662 to the Florida Statutes that provides directives on investment decisions and proxy voting by Florida municipalities. Investment decisions must be driven solely by pecuniary factors and investment return may not be sacrificed to promote non-pecuniary factors. The revisions were approved by the Investment Advisory Committee at their meeting on August 31, 2023, and the Sinking Fund Commission at the City commission meeting on October 11, 2023.

City Debt Management Policy

The City Treasurer-Clerk administers the City's debt management program and is responsible for issuing the City's bonds. The Debt Management Policy sets forth standards for the issuance and management of the City's debt. A copy of the Debt Management Policy may be obtained from the City Treasurer-Clerk's Office or through this link [City Commission Policy 238 \(talgov.com\)](#). The Policy provides targets for liquidity, operating margin, and debt burden for each of the City's three debt programs: general government (capital bonds), energy system, and consolidated utility systems. There are also targets for the percentage of debt that can be in variable rate and/or rolling medium term note debt. The table below indicates the targets and actual values for the liquidity measure as of September 30, 2023:

Debt Program	Liquidity – Target	Liquidity - Actual
General Fund	Spendable General Fund Balance of 15% of General Fund Expenditures	Spendable General Fund Balance of 15.81% of General Fund Expenditures
Consolidated Utility Systems	150 days cash on hand	405 days cash on hand
Energy System	210 days cash on hand	291 days cash on hand

The following table displays the target and actual for the operating margin component as of September 30, 2023:

Debt Program	Debt Service as % of Expenditures/Coverage Ratio-Target	Debt Service as % of Expenditures/Coverage Ratio-Actual
General Fund	Net Debt Service to be less than 10% of General Fund Expenditures	Net Debt Service of 5.15% of General Fund Expenditures
Consolidated Utility Systems	Debt Service Coverage of 1.50X or higher	Debt Service Coverage of 2.74X
Energy System	Debt Service Coverage of 2.0X or higher	Debt Service Coverage of 2.66X

The table below shows the target and actual for the debt burden as of the end of FY 2022:

Debt Program	Debt Burden-Target	Debt Burden-Actual
General Fund	Debt as a % of Full Market Values less than 2%	Debt is 0.25% of Full Market Value
Consolidated Utility Systems	Debt as a % of Capital Assets less than 50%	Debt is 34.28% of Capital Assets
Energy System	Debt as a % of Capital Assets less than 60%	Debt is 49.17% of Capital Assets

GENERAL GOVERNMENT DEBT

Capital Bonds

The City’s Capital Bonds are supported by four revenue sources: 1) the Local Government Half-Cent Sales Tax, 2) the Guaranteed Entitlement Revenues, 3) the Local Communications Services Tax, and 4) the Public Service Tax. The following provides a discussion of each of these revenues.

Local Government Half-Cent Sales Tax: The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. In 1982, the Florida legislature created the Local Government Half-Cent Sales Tax Program (the “Half-Cent Sales Tax Program”) which distributes sales tax revenue and money from the State’s General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the program, thus giving rise to the name “Half-Cent Sales Tax.” Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is no longer one-half cent on every dollar of the sales price of an item subject to sales tax, the name “Half-Cent Sales Tax” has continued to be utilized.

Effective July 1, 2004, the proportion of sales tax revenues deposited in the Local Government Half-Cent Sales Tax Trust Fund in the State Treasury (the “Trust Fund”) was reduced to 8.714% of the sales tax remitted to the State of Florida by each sales tax dealer located within a particular county (the “Half-Cent Sales Tax Revenues”). Such proportion of the Half-Cent Sales Tax Revenues is deposited in the Trust Fund and is earmarked for distribution to the governing body of each county and each participating municipality within that county pursuant to a distribution formula. The Half-Cent Sales Tax Revenues are distributed from the Trust Fund on a monthly basis to participating units of local government in accordance with Part VI, Chapter 218, Florida Statutes (the “Sales Tax Act”). The general rate of sales tax in the State is currently 6%.

The amount of Half-Cent Sales Tax Revenues distributed to the City varies due to changes in sales within Leon County, as well as changes in the relative population of Leon County and the City.

In order to be eligible to receive distributions of the Local Government Half-Cent Sales Tax, each participating county and eligible municipalities must satisfy the conditions for eligibility for distribution of certain revenue-sharing monies pursuant to Section 218.23, Florida Statutes. Failure by the City to meet these eligibility requirements would result in the deposit of the City’s share of the Local Government Half-Cent Sales Tax into the General Fund of the State for the 12-month period following the determination of noncompliance. Historically, the City has consistently complied with all the requirements for participation in the Local Government Half-Cent Sales Tax distribution as set forth in Chapter 218, Florida Statutes.

The Local Government Half-Cent Sales Tax collected within a county is distributed to each participating county and municipality in accordance with the formula set forth In Section 218.62, Florida Statutes. The distribution is as follows:

County’s share (Percentage of total Local Government Half-Cent Sales Tax receipts)	=	unincorporated <u>area population</u> total county population	+	2/3 incorporated <u>area population</u> + 2/3 incorporated area population
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Continuation of the distribution is as follows:

$$\begin{array}{l} \text{Municipality's share} \\ \text{(Percentage of total Local} \\ \text{Government Half-Cent} \\ \text{Sales Tax receipts)} \end{array} = \frac{\text{municipality population}}{\text{total county population} + \frac{2}{3} \text{ incorporated area population}}$$

As used in the above formula, “population” means the latest official state estimate of population certified pursuant to Section 186.901, Florida Statutes, prior to the beginning of the local government fiscal year. Revenues are distributed monthly to eligible cities and counties. For the fiscal year ended September 30, 2022, the City received 46% of the Half-Cent Sales Tax Revenues distributed within Leon County.

Historical Collections of Revenues from Revenue Sharing Trust Fund for Municipalities and Revenue Sharing Proceeds		
Year Ended September 30	Revenues Received from the Revenue Sharing Trust Fund for Municipalities	Percentage Change from Prior Fiscal Year
2014	\$ 5,418,601	--
2015	5,784,509	6.8 %
2016	6,215,115	7.4
2017	6,474,193	4.2
2018	6,772,236	4.6
2019	6,970,213	2.9
2020	6,375,529	1.5
2021	7,801,245	2.4
2022	8,814,193	4.4
2023	8,580,489	5.3

Source: City of Tallahassee, Florida Finance Department.

Guaranteed Entitlement Revenues: The definition of Guaranteed Entitlement, as it applies to Florida municipalities, was amended in 2003 and is currently defined in the Florida Revenue Sharing Act of 1972, which is contained in Chapter 218, Part II, Florida Statutes (the “Revenue Sharing Act”) to mean the amount of revenue which must be shared with an eligible unit of local government so that no eligible municipality will receive less funds from the Revenue Sharing Trust Fund for Municipalities established by the Revenue Sharing Act in any State fiscal year, to the extent available, than the amount received by that municipality in the aggregate from certain State taxes in the 1971 - 1972 fiscal years.

The guaranteed entitlement portion of State revenue sharing which accrues annually to the City totals \$1,250,000, and this amount is received by the City in substantially equal monthly payments.

Local Communications Services Tax: The City levies a Local Communications Services Tax pursuant to Chapter 202, Florida Statutes. Communications services means the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method.

Purchases by the United States Government, the State of Florida, other public bodies and any religious institution or educational institution that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code are exempt from the Local Communications Services Tax.

If actual revenues do not reach expectations, as measured by comparing actual revenues to previously collected revenues increased by the average five-year growth rates, Section 202.20 (2), Florida Statutes, authorizes local governments to adjust its Local Communications Services Tax.

Beginning July 1, 2007, a government may make an adjustment in its rate only if the Department reallocates other Local Communication Services Tax revenues away from the local government. In October 2008, the City authorized an increase in the tax rate from 5.37% to 5.98% (none of the rates include the add-on of 0.12% for permits).

Public Service Tax: The City levies a Public Service Tax pursuant to Sections 166.231 – 166.235, Florida Statutes, which authorizes any municipality within the State to levy a public service tax (the “Public Service Tax”) on the purchase of electricity, metered natural gas, liquefied petroleum gas (either metered or bottled), manufactured gas (either metered or bottled) and water services as well as any service competitive with the services specifically enumerated. The City levies its public service tax under the provisions of City Code Section 18-121. Under such provisions of the City Code, the City established a public service tax rate of ten percent (10%) and a rate of four cents (\$0.04) per gallon on the purchase of fuel oil.

The Public Service Tax is not imposed against any fuel adjustment charge, which is defined as all increases in the cost of utility services to the ultimate customer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973. The City Code exempts from its provisions: (i) purchases of electricity, water or gas by the United States Government, the State of Florida, or by any recognized church for use exclusively for church purposes, and (ii) with respect to 50% of the tax on purchase of electric energy for up to and not exceeding five years, certain qualified businesses located within the City’s enterprise zone. The purchase of natural gas, manufactured gas or fuel oil by a public or private utility, either for resale or for use as fuel in the generation of electricity, or the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines is exempt from taxation under the Public Service Tax Law.

**Selected General Government
Statistics
Pledged Revenues and Debt Service
(in 000’s of dollars)
City of Tallahassee, Capital Bonds**

<i>For Fiscal Years Ending September 30</i>	2019	2020	2021	2022	2023
Communication Services Tax	\$ 7,070	\$ 7,167	\$ 6,888	\$ 6,602	\$ 7,005
Half Cent Sales Tax	11,301	10,458	11,724	13,192	13,552
Guaranteed Entitlement	1,251	1,251	1,251	1,250	1,250
Public Service Tax	<u>17,193</u>	<u>17,218</u>	<u>17,545</u>	<u>18,152</u>	<u>18,715</u>
Total Revenue	<u>\$36,813</u>	<u>\$36,094</u>	<u>\$37,408</u>	<u>\$39,199</u>	<u>\$40,522</u>
Debt Service	\$13,211	\$13,210	\$13,210	\$13,207	\$14,036
Debt Service Coverage	2.79x	2.73x	2.83x	2.96X	2.89x

**CAPITAL BONDS (GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year		\$37,455,000	\$6,035,000	\$27,320,000	\$26,975,000
Ending		Series 2022	Series 2021	Series 2018	Series 2009
October 1	Total				
2024	\$ 11,570,120	\$ 7,077,592	\$ 930,676	\$ 2,212,000	\$ 1,349,852
2025	7,555,993	3,069,488	929,826	2,208,750	1,347,929
2026	7,564,905	3,068,624	933,852	2,213,000	1,349,429
2027	7,561,352	3,070,150	932,692	2,209,250	1,349,260
2028	6,834,105	3,068,892	931,408	2,207,750	626,055
2029	5,903,379	3,069,850	-	2,208,250	625,279
2030	5,907,111	3,072,850	-	2,210,500	623,761
2031	5,908,376	3,072,718	-	2,209,250	626,408
2032	5,278,954	3,069,454	-	2,209,500	-
2033	5,284,058	3,073,058	-	2,211,000	-
2034	5,276,682	3,068,182	-	2,208,500	-
2035	2,212,000	-	-	2,212,000	-
2036	2,211,000	-	-	2,211,000	-
2037	2,210,500	-	-	2,210,500	-
2038	2,210,250	-	-	2,210,250	-
TOTALS	<u>\$ 83,488,785</u>	<u>\$ 37,780,858</u>	<u>\$ 4,658,454</u>	<u>\$ 33,151,500</u>	<u>\$ 7,897,973</u>

**CAPITAL BONDS (GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE - PRINCIPAL OUTSTANDING**

Bond Year Ending October 1	Total	\$37,455,000 Series 2022	\$6,035,000 Series 2021	\$27,320,000 Series 2018	\$26,975,000 Series 2009
2024	\$ 9,030,000	\$ 5,980,000	\$ 875,000	\$ 1,065,000	\$ 1,110,000
2025	5,330,000	2,180,000	885,000	1,115,000	1,150,000
2026	5,525,000	2,255,000	900,000	1,175,000	1,195,000
2027	5,715,000	2,335,000	910,000	1,230,000	1,240,000
2028	5,175,000	2,415,000	920,000	1,290,000	550,000
2029	4,425,000	2,500,000	-	1,355,000	570,000
2030	4,605,000	2,590,000	-	1,425,000	590,000
2031	4,790,000	2,680,000	-	1,495,000	615,000
2032	4,340,000	2,770,000	-	1,570,000	-
2033	4,520,000	2,870,000	-	1,650,000	-
2034	4,695,000	2,965,000	-	1,730,000	-
2035	1,820,000	-	-	1,820,000	-
2036	1,910,000	-	-	1,910,000	-
2037	2,005,000	-	-	2,005,000	-
2038	2,105,000	-	-	2,105,000	-
TOTALS	<u>\$ 65,990,000</u>	<u>\$ 31,540,000</u>	<u>\$ 4,490,000</u>	<u>\$ 22,940,000</u>	<u>\$ 7,020,000</u>

\$37,455,000
CITY OF TALLAHASSEE, FLORIDA
Capital Refunding Bond, Series 2022

Dated: November 1, 2022

Purpose

The Series 2022 Capital Refunding Bond was issued to refund the callable portion of the Series 2012 Capital Refunding Bonds and Series 2014 Capital Refunding Bonds.

Security

The Series 2022 Bond is secured by a pledge of lien on the City's receipts from Guaranteed Entitlement Revenues, the Local Government Half-Cent Sales Tax, the Local Communication Services Tax, and the Public Services Tax Revenues, on a parity with the Capital Bonds, Series 2021, and the Capital Bonds, Series 2018.

Bond Reserve

There are no debt service reserve fund requirements.

Form

The Series 2022 Bond is fully registered and due October 1, 2034. The Series 2022 Bond is evidenced by a physical certificate. The Series 2022 Bond was priced competitively and issued as a private placement, with Bank of America as the original purchaser. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2023.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: N/A

Fitch: N/A

Standard & Poor's: N/A

Optional Prepayment

The Series 2022 Bond shall be subject to prepayment at the option of the Issuer, in whole or in part, at any time, with no penalty or premium, by paying to the Holder the principal amount on the Series 2022 Bond being prepaid, together with the unpaid interest accrued to the date of such prepayment.

\$37,455,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BOND, SERIES 2022

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2024	3.480%	\$ 5,980,000	\$ 1,097,592	\$ 7,077,592
2025	3.480%	2,180,000	889,488	3,069,488
2026	3.480%	2,255,000	813,624	3,068,624
2027	3.480%	2,335,000	735,150	3,070,150
2028	3.480%	2,415,000	653,892	3,068,892
2029	3.480%	2,500,000	569,850	3,069,850
2030	3.480%	2,590,000	482,850	3,072,850
2031	3.480%	2,680,000	392,718	3,072,718
2032	3.480%	2,770,000	299,454	3,069,454
2033	3.480%	2,870,000	203,058	3,073,058
2034	3.480%	2,965,000	103,182	3,068,182
TOTALS		<u>\$ 31,540,000</u>	<u>\$ 6,240,858</u>	<u>\$ 37,780,858</u>

\$6,035,000
CITY OF TALLAHASSEE, FLORIDA
Capital Bonds, Series 2021

Dated: December 8, 2021

Purpose

The Series 2021 Bonds were issued to finance the acquisition of radios for public safety personnel.

Security

The Series 2021 Bonds are secured by a pledge of lien on the City's receipts from Guaranteed Entitlement Revenues, the Local Government Half-Cent Sales Tax, the Local Communication Services Tax, and the Public Services Tax Revenues, on a parity with the Capital Bond, Series 2022, and the Capital Bonds, Series 2018.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$6,035,000 Serial Bonds is fully registered and due October 1, 2028. The Bonds are book-entry-only and is not evidenced by a physical certificate. The Bonds were priced competitively and issued as a private placement, with Capital City Bank as the original purchaser. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2022.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: N/A

Fitch: N/A

Standard & Poor's: N/A

Optional Redemption

The Series 2021 Bond shall be subject to prepayment at the option of the Issuer, in whole or in part, at any time, with no penalty or premium, by paying to the Holder the principal amount on the Series 2021 Bond being prepaid, together with the unpaid interest accrued to the date of such prepayment.

\$6,035,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2021

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1	Rate			
2024	1.240%	\$ 875,000	\$ 55,676	\$ 930,676
2025	1.240%	885,000	44,826	929,826
2026	1.240%	900,000	33,852	933,852
2027	1.240%	910,000	22,692	932,692
2028	1.240%	920,000	11,408	931,408
TOTALS		<u>\$ 4,490,000</u>	<u>\$ 168,454</u>	<u>\$ 4,658,454</u>

\$27,320,000
CITY OF TALLAHASSEE, FLORIDA
Capital Bonds, Series 2018

Dated: July 10, 2018

Purpose

The Series 2018 Bonds were issued to finance various road and sidewalk improvements within the City.

Security

The Series 2018 Bonds are secured by a pledge of lien on the City's receipts from Guaranteed Entitlement Revenues, the Local Government Half-Cent Sales Tax, the Local Communication Services Tax, and the Public Services Tax Revenues, on a parity with the Capital Bond, Series 2022, and the Capital Bonds, Series 2021.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$27,320,000 Serial Bonds, all fully registered, due October 1, 2038. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2019.

Agents

Registrar:	The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida
Paying Agent:	The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa2
Fitch:	AA+
Standard & Poor's:	N/A

Optional Redemption

The Series 2018 Bonds maturing on or prior to October 1, 2025, are not subject to optional redemption prior to maturity. The Series 2018 Bonds maturing after October 1, 2025 are subject to redemption prior to maturity at the option of the City, as a whole or in part at any time (if in part, the maturities and the principal amounts to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2025 at a redemption price of 100% of the principal amount of the Series 2018 Bonds to be redeemed, plus accrued interest to the date of redemption.

\$27,320,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL BONDS, SERIES 2018

Summary of Remaining Debt Service Requirements

Bond Year	Ending	Interest			
October 1	Rate	Principal	Interest	Total	
2024	5.000%	\$ 1,065,000	\$ 1,147,000	\$ 2,212,000	
2025	5.000%	1,115,000	1,093,750	2,208,750	
2026	5.000%	1,175,000	1,038,000	2,213,000	
2027	5.000%	1,230,000	979,250	2,209,250	
2028	5.000%	1,290,000	917,750	2,207,750	
2029	5.000%	1,355,000	853,250	2,208,250	
2030	5.000%	1,425,000	785,500	2,210,500	
2031	5.000%	1,495,000	714,250	2,209,250	
2032	5.000%	1,570,000	639,500	2,209,500	
2033	5.000%	1,650,000	561,000	2,211,000	
2034	5.000%	1,730,000	478,500	2,208,500	
2035	5.000%	1,820,000	392,000	2,212,000	
2036	5.000%	1,910,000	301,000	2,211,000	
2037	5.000%	2,005,000	205,500	2,210,500	
2038	5.000%	<u>2,105,000</u>	<u>105,250</u>	<u>2,210,250</u>	
TOTALS		<u>\$ 22,940,000</u>	<u>\$ 10,211,500</u>	<u>\$ 33,151,500</u>	

\$26,975,000
CITY OF TALLAHASSEE, FLORIDA
Capital Improvement Refunding Revenue Bond, Series 2009

Dated: April 24, 2009

Purpose

The Series 2009 Bond was issued to repay a portion of the outstanding principal amount of the obligation evidenced by a loan agreement between the City of Tallahassee and the Sunshine State Governmental Financial Commission.

Security

The bond is secured by a junior lien pledge on the City's Guaranteed Entitlement Revenues; the City's receipts from the Local Government Half-Cent Sales Tax; the proceeds from the City's Local Communications Services Tax; and earnings on the investment of all funds and accounts created under the Resolution except the Rebate Fund.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$26,975,000 Capital Improvement Refunding Revenue Bond is fully registered and due April 1, 2031. The Bond is book-entry-only and is not evidenced by a physical bond certificate. The Bond was priced competitively and issued as a private placement, with Bank of America, N.A., as the original purchaser. Interest is payable semi-annually on each April 1 and October 1, commencing October 1, 2009.

Agent

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Optional Redemption

The Series 2009 Bond may be prepaid at the option of the City in whole, or in part, on any date, with three days prior written notice to the Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the prepayment fee.

\$26,975,000
CITY OF TALLAHASSEE, FLORIDA
CAPITAL IMPROVEMENT REFUNDING REVENUE BOND,
SERIES 2009

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1	Rate			
2024	3.710%	\$ 1,110,000	\$ 239,852	\$ 1,349,852
2025	3.710%	1,150,000	197,929	1,347,929
2026	3.710%	1,195,000	154,429	1,349,429
2027	3.710%	1,240,000	109,260	1,349,260
2028	3.710%	550,000	76,055	626,055
2029	3.710%	570,000	55,279	625,279
2030	3.710%	590,000	33,761	623,761
2031	3.710%	<u>615,000</u>	<u>11,408</u>	<u>626,408</u>
TOTALS		<u>\$ 7,020,000</u>	<u>\$ 877,973</u>	<u>\$ 7,897,973</u>

Covenant to Budget and Appropriate Bonds

The City's Covenant to Budget and Appropriate Bonds are supported by the Non-Ad valorem Revenues of the City's General Fund but does not include any ad valorem taxes (property taxes). The City has agreed to appropriate for the payment of principal and interest in its annual budget for each year that any bonds with such pledge remain outstanding. The City has further agreed not to incur any additional indebtedness payable from Non-Ad valorem Revenues unless such revenues will be greater than two times the maximum annual debt service on all outstanding debt payable from Non-Ad valorem revenues. The table provides the debt service coverage on existing Covenant to Budget and Appropriate Bonds.

Selected General Government Debt Statistics					
<i>Pledged Revenues (in 000s)</i>					
<i>City of Tallahassee</i>					
<i>Covenant to Budget and Appropriate Bonds</i>					
<i>For Fiscal Years Ending September 30</i>	2019	2020	2021	2022	2023
Non-Ad Valorem Revenues	\$108,879	\$106,909	\$107,298	\$115,307	\$116,522
Debt Service	\$ 993	\$ 993	\$ 993	\$ 993	\$ 993
Debt Service Coverage	109.65x	107.66x	108.05x	116.11x	117.34x

**CONVENANT TO BUDGET AND APPROPRIATE BONDS
(GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year Ending October 1	Total	\$7,310,000 Series 2020	\$7,994,660 Series 2019
2024	\$ 1,097,607	\$ 104,533	\$ 993,074
2025	8,407,610	7,414,533	993,077
2026	993,075	-	993,075
2027	993,077	-	993,077
2028	<u>993,072</u>	<u>-</u>	<u>993,072</u>
TOTALS	<u>\$ 12,484,442</u>	<u>\$ 7,519,066</u>	<u>\$ 4,965,376</u>

**CONVENANT TO BUDGET AND APPROPRIATE BONDS
(GENERAL GOVERNMENT DEBT)
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE
PRINCIPAL OUTSTANDING**

Bond Year		\$7,310,000	\$7,994,660
Ending		Series 2020	Series 2019
October 1	Total		
2024	\$ 886,780	\$ -	\$ 886,780
2025	8,217,090	7,310,000	907,090
2026	927,860	-	927,860
2027	949,110	-	949,110
2028	<u>970,840</u>	<u>-</u>	<u>970,840</u>
TOTALS	<u>\$ 11,951,680</u>	<u>\$ 7,310,000</u>	<u>\$ 4,641,680</u>

\$7,310,000
CITY OF TALLAHASSEE, FLORIDA
Public Improvement Revenue Note, Series 2020

Dated: October 1, 2020

Purpose

The Series 2020 Note was issued to finance the purchase of the Northwood Centre property.

Security

The Note is secured by a covenant to budget and appropriate pledge to deposit Non-Ad Valorem Revenues sufficient to pay the principal and interest on the subject financing.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$7,310,000 Revenue Note, fully registered, due October 1, 2025. The Note is book-entry-only and is not evidenced by a physical certificate. The Note was priced competitively and issued as a private placement, with Key Government Finance, Inc. as the original purchaser. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2021.

Agent

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: NR

Fitch: NR

Standard & Poor's: NR

Optional Redemption

The Series 2020 Note may be prepaid at the option of the City in whole, or in part, on any date, with 21 business days prior written notice to the Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest to the prepayment date.

Events of Default

Upon the occurrence and during the continuation of any Event of Default, the Owner of the Note may, in addition to any other remedy authorized in the Note, may enforce and compel the Issuer to pay off the outstanding balance immediately.

\$7,310,000
CITY OF TALLAHASSEE, FLORIDA
PUBLIC IMPROVEMENT REVENUE NOTE, SERIES 2020

Summary of Remaining Debt Service Requirements

Bond Year				
Ending	Interest			
October 1	Rate	Principal	Interest	Total
2024	1.430%	\$ -	\$ 104,533	\$ 104,533
2025	1.430%	<u>7,310,000</u>	<u>104,533</u>	<u>7,414,533</u>
TOTALS		<u>\$ 7,310,000</u>	<u>\$ 209,066</u>	<u>\$ 7,519,066</u>

\$7,994,660
CITY OF TALLAHASSEE, FLORIDA
Transportation Improvement Revenue Bond, Series 2019

Dated: May 10, 2019

Purpose

The Series 2019 Bond was issued to finance the purchase of electric buses and charging stations.

Security

The bond is secured by a covenant to budget and appropriate pledge to deposit Non-Ad Valorem Revenues sufficient to pay the principal and interest on the subject financing.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$7,994,660 Serial Bond, fully registered, due May 1, 2028. The Bond is book-entry-only and is not evidenced by a physical bond certificate. The Bond was priced competitively and issued as a private placement, with Capital City Bank as the original purchaser. Interest is payable semi-annually on each November 1 and May 1, commencing November 1, 2019.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: NR

Fitch: NR

Standard & Poor's: NR

Optional Redemption

The Series 2019 Bond may be prepaid at the option of the City in whole, or in part, on any date, with three days prior written notice to the Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest to the prepayment date.

Events of Default

Upon the occurrence and during the continuation of any Event of Default, the Owner of the Bond may, in addition to any other remedy authorized in the Bond, may enforce and compel the Issuer to pay off the outstanding balance immediately.

\$7,994,660
CITY OF TALLAHASSEE, FLORIDA
TRANSPORTATION IMPROVEMENT REVENUE BOND, SERIES 2019

Summary of Remaining Debt Service Requirements

Bond Year				
Ending	Interest			
October 1	Rate	Principal	Interest	Total
2024	2.290%	\$ 886,780	\$ 106,294	\$ 993,074
2025	2.290%	907,090	85,987	993,077
2026	2.290%	927,860	65,215	993,075
2027	2.290%	949,110	43,967	993,077
2028	2.290%	<u>970,840</u>	<u>22,232</u>	<u>993,072</u>
TOTALS		<u>\$ 4,641,680</u>	<u>\$ 323,696</u>	<u>\$ 4,965,376</u>

ENERGY SYSTEM

The City's Energy System comprises the City's Electric and Gas Utilities. The 1992 General Resolution created the Energy System, which consisted solely of the City's Electric System. The 1998 General Resolution allowed the City to add other utility functions to the Energy System. In 1999, pursuant to the provisions of the 1998 General Resolution, the City Commission approved the migration of the City's Gas System from the Consolidated Utility Systems (CUS) to create the Energy System, for financing purposes only.

Administration

Electric Utility, Gas Utility and Wholesale Energy (aka Energy Services) functions under a single General Manager who is responsible for all energy-related operations at the City.

Each of the seven divisions, except for the Finance and Administration Services Division, are led by an Assistant General Manager – E&G. The Finance and Administrative Services Division is led by the Chief Financial and Administrative Services Manager. Other City departments continue to provide other support activities, such as accounting, payroll, and human resources. The cost of these services is allocated to the utility departments.

Electric and Gas Utility System

The Electric Utility is a vertically integrated system that owns, operates and maintains an electric generation, transmission and distribution system providing electric power and energy to customers in a service area of approximately 221 square miles located within Leon County and the City's municipal facilities in Wakulla County.

The Electric Utility owns and operates approximately 219 miles of 115/230kv transmission system, 28 substations, and 3,688 miles of overhead and underground primary/secondary distribution lines. The utility operates as a balancing authority, generator owner/operator and transmission owner/operator. Florida is unique in that it is a peninsula with limited import/export capability from the north. The City is one of four Florida utilities that own rights to the import capability known as the Southern/Florida interface. The City's current share of the import capacity is 200 MW.

The Gas Utility owns, operates, and manages a natural gas distribution system that provides firm and interruptible gas service in Leon County, as well as the surrounding counties of Wakulla and Gadsden. The Gas Utility has two pipeline suppliers: Kinder Morgan and Florida Gas Transmission. The Gas Utility operates four main gate stations strategically located throughout its service area and has over 975 miles of gas main infrastructure. The Gas Utility Division is responsible for administration, engineering, business development, and field operations of the City's Gas System. Activities include sales and outreach, customer service, dispatching and controlling the delivery of gas, maintaining above and below-ground facilities and infrastructure, managing new facility construction, and maintaining system maps. The Gas Utility has 35 full-time employees who maintain and operate the gas system.

Electric and Gas Utility Sales

Both the Electric and Gas Utility sales are normally impacted by several factors including, but not limited to: weather, economic conditions in the service territories, and emphasis on conservation/sustainability. In addition, the receding coronavirus pandemic continues to create an environment of uncertainty in sales forecast and the extent of a return to historically normal activities, particularly at the universities, downtown office buildings, and supporting service-oriented businesses (i.e., restaurants and the like). Some office buildings may suffer from extended periods of low occupancy and some of these support businesses may not survive, leading to a more sustained economic downturn and

lower electricity sales to these customer classes. At this point, however, the economic projections continue to reflect a sustained recovery and more robust economic conditions.

In February 2023, the City implemented a new utility billing software system. The manner in which customer counts are calculated changed as part of this implementation. As a result of this one-time adjustment, the reported number of customers served reflects a new methodology. Notwithstanding the change in the system, 2023 saw a continued trend of modest growth in the reporting period.

During the fiscal year that ended September 30, 2023, Electric and Gas saw the following sales and customer changes:

- **Electric:** The City sold 2,642,684 MWh of electric energy to ultimate customers and 399,009 MWh to other utilities, for total operating revenues of approximately \$307.8 million. Due to the adjustment described in the paragraph above, the City is reporting a decline of 1.8% in retail customers from 127,158 in FY 2022 to 124,876 in FY 2023. Retail consumption increased by 0.7% in FY 2023, while retail sales increased by 5.7%. The City's ten-year forecast projects an average annual growth in customers of 0.9% and an average annual growth in retail energy sales of 1.0%, which includes the forecasted impact of the City's aggressive energy efficiency and Demand Side Management program. For FY 2023, electric retail sales were approximately 1.4% below the forecasted sales. During FY 2023, sales for resale were approximately 49.7% higher than those experienced in FY 2022.
- **Gas:** Annual system sales for FY 2023 were 2,802,940 MCF (a measure of volume of natural gas); one MCF equals 1,000 cubic feet of natural gas. Total operating revenues were approximately \$30.2 million in FY 2023. Despite the adjustment to the reporting of utility billing statistics, the trend of modest customer growth continued, 34,890 in FY 2022 to 35,908 in FY 2023. Due to a mid winter, sales decreased by 3.7%. Compared to the preceding five-year average. FY 2023 experienced temperatures of approximately 2% warmer and 23% fewer heating degree days (HDDs). The combination of successful sales campaigns and keeping operational expenses in check resulted in the Gas Utility's revenues exceeding expenses by approximately \$4.1 million. The Gas Utility's new construction and infill programs continue to be successful in FY 2023. Most new homes being built use natural gas for water heating, as well as other natural gas appliances.

Electric and Gas Awards

In 2023 the Electric and Gas Utility participated in the 2024 FMEA Florida Lineman Rodeo competition hosted by the Orlando Utility Commission. This is an annual event where utilities from around the state showcase their skills in a series of events developed to test their knowledge and physical abilities in the industry. The City finished the weekend strong by taking home the "Winners Cup", the weekend's highest honor awarded to the best overall Journeyman team. In addition to the overall award, the City had four of the top five Journeyman teams and several apprentices with strong individual performances.

In 2022 and 2023, the Electric and Gas Utility received multiple commendations from the American Public Power Association and Florida Municipal Electric Association for providing mutual aid support to other Public Power communities to quickly restore power and repair damage to their system sustained from severe weather impacts. In 2023, the Electric Utility Power Delivery team was dispatched to multiple Public Power and Cooperative communities in Florida.

In 2021, the City of Tallahassee was awarded the APPA's most prestigious award, the E.F. Scattergood Award. The City previously received this honor in 2012. This national designation recognizes the top public utility in the country for demonstrated sustained achievement, commitment to clean energy, and customer service to its community. The City also earned the 2021 Award of Continued Excellence (ACE) from APPA's Demonstration of Energy & Efficiency Developments (DEED) program. This award recognizes continued commitment to the DEED program and its ideals, including support of research development and demonstration, improving efficiency, renewable resources, and support of public power. In

prior years, the City has been awarded the 2012 APPA DEED Energy Innovator Award, has been recognized as a “Most Livable City in America” by the U.S. Conference of Mayors in 2011 for the Neighborhood REACH program, and has received the 2014 APPA DEED Energy Innovator Award for the Double Rebates Program.

In 2019, the City’s Gas Utility was recognized with the American Public Gas Association (APGA) Public Gas Achievement Award. This is the highest recognition that APGA awards to one deserving public gas system out of over 1,000 systems. The recognition underscores the City’s widely recognized exemplary performance and substantial contributions to the community and gas industry.

In 2020 and again in 2023, the American Public Gas Association (APGA) recognized the Gas Utility with the Gold-level System Operational Achievement Recognition (SOAR). SOAR recognizes public gas utilities for best practices. Tallahassee’s Gas Utility has been recognized at the Goldlevel every cycle since the SOAR program was developed and is the only public gas utility to have this achievement.

In 2019, 2021 and again in 2023, the American Public Power Association (APPA) recognized the City’s Electric Utility with the Smart Energy Provider designation. This recognition is given to public power communities that demonstrate leading practices in four key disciplines: smart energy program structure, energy efficiency and distributed energy programs, environmental and sustainability initiatives, and customer experience. In 2018, APPA recognized the City’s Electric Utility with the prestigious Reliable Public Power Provider (RP3) Diamond level for demonstrated excellence in reliability, safety, workforce development, and system improvement. The Diamond level is the highest level attainable in the RP3 program and was valid from May 1, 2018 through April 30, 2021.

Electric and Gas Utility Management Discussion of Operations

General

During the last several years, the City has aggressively addressed positioning all phases of its energy infrastructure for changing business requirements, environmental requirements, and customer needs. These efforts have included, but were not limited to, the construction of new transmission facilities, conversion of 115kv transmission facilities to 230kv, retirement of older less efficient generation and the addition of 111 MW of clean efficient natural gas reciprocating engine/generators, the addition of two Solar Farms (FL Solar 1, LLC and FL Solar 4, LLC) and continued expansion of the gas utility infrastructure. These initiatives continue to improve system reliability, efficiency, and customer service.

Based on historical decisions made by the City Commission, the City’s power supply portfolio is well positioned to meet the near-term resource requirements, while providing an efficient, economic, and environmentally responsible generation fleet. The highlights of the power supply portfolio include:

- 100% of the City’s electric generating fleet has a weighted average life of fewer than 15.5 years with the oldest generating unit being Purdom Unit 8 which went into commercial operations in 2000. For FY 2023, the average system heat rate was 7,623 Btu/kwh;
- The City’s Demand Side Management (DSM) program continues to minimize the amount of additional power supply resources needed to meet planning reserve margins; and
- In FY 2022 the Gas Utility enhanced its commitment to its Pipeline Safety Management System by initiating a utility-wide safety culture survey. The Utility used the results of the survey to make some changes to the operations that have shown positive safety results. The continued focus on safety and employee knowledge enhancement was a contributor to the Utility receiving its thirteenth consecutive flawless Florida Public Service Commission Gas Utility safety audit.

As the COVID-19 pandemic unfolded in 2020, the Electric and Gas Utility undertook several activities to reduce the potential impacts of the pandemic on its operations. Many of the activities have been adapted as we have successfully come out of the pandemic. Examples of these measures included remote work when possible, modified schedules, utilization of the backup control center, and lighting and HVAC improvements. Additionally, the City implemented utility customer changes such as suspending

disconnections, deferred payments, and CARES Act funding to eligible customers to aid in the payment of outstanding utility bills. Disconnections have since returned to normal practice.

General Electric Long-Term Services Agreement

The City currently has a Long-Term Services Agreement (LTSA) with General Electric International, Inc. (GE) for Purdom Unit 8 (PP8) and Hopkins Unit 2 (HP2). Under the terms of the LTSA, GE performs all scheduled preventative maintenance work on the City's PP8 combustion and steam turbine/generators and HP2 combustion turbine/generator for a fixed cost. The LTSA incorporates availability and heat rate guarantees, including liquidated damages and bonus provisions. These damages and bonus provisions are capped at \$500,000 per year.

Power Supply Resources

The City has a long-standing commitment to ensuring efficient, reliable, and environmentally sustainable power supply resources. To that end, the City has committed significant financial resources to the modernization of the power supply fleet. This has included:

- Repowering of Hopkins Unit 2 to a combined cycle generating unit in 2008 to gain significant fuel efficiency and continued reduction in permitted and actual emissions.
- Construction of a distributed generation facility at the City's Substation 12 (BP12), located adjacent to Tallahassee Memorial Hospital. This substation is radially fed, and the addition of the distributed generation will provide for enhanced reliability to the customers served by this substation. While this additional capacity will aid in meeting the City's long-term power supply needs, it was done primarily for distribution reliability and storm hardening purposes. Two 9.3 MW (18.6 MW total) Wartsila gas-fired reciprocating internal combustion engines/generators have been installed for this project. These units went into commercial operation in October of 2018. This facility is equipped to provide black start capability as well as operating in island mode;
- Construction of five Wartsila gas-fired reciprocating engine/generators at the Hopkins facility. Each of these units is rated at 18.6 MW and achieved commercial operation between January 2019 and April 2020;
- Retirement of Hopkins Unit 1, Hopkins CTs 1 and 2, and Purdom CTs 1 and 2;
- Addition of Solar Farm 1, 20 MW, that achieved commercial operation in December of 2017; and
- Addition of Solar Farm 4, 42 MW, that achieved commercial operation in December of 2019.

The new reciprocating engine/generators added at BP12 and Hopkins provide the City with the following benefits:

- These engines are significantly more efficient than the units they replaced, resulting in fuel cost savings for our customers;
- These units can be started in 5 minutes to meet the system demand quickly, as opposed to Hopkins 1 which took about 10 hours to start;
- The CO2 emissions are much less from these units compared to the units that were replaced; and
- The addition of the quick start engines will allow for nimbler operations of the electric system that will support the current and future plans for intermittent (solar and wind) power additions when they are cost-effective.

With the above power supply additions and retirements, the City has the following fleet available to serve its electric customers in a reliable, cost-effective, and environmentally responsible manner.

Unit	Commercial Operations Year	Unit Type	Fuel (primary/alternative)	Summer Output MW (95°F)	Winter Output MW (29°F)
Hopkins Unit 2	2008 ¹	7FA Combined Cycle	Natural Gas/Diesel	300	330
Hopkins CT3	2005	LM-6000 Simple Cycle Combustion Turbine	Natural Gas/Diesel	46	48
Hopkins CT4	2005	LM-6000 Simple Cycle Combustion Turbine	Natural Gas/Diesel	46	48
Hopkins IC1	2019	RICE ²	Natural Gas	18.6	18.6
Hopkins IC2	2019	RICE	Natural Gas	18.6	18.6
Hopkins IC3	2019	RICE	Natural Gas	18.6	18.6
Hopkins IC4	2019	RICE	Natural Gas	18.6	18.6
Hopkins IC5	2020	RICE	Natural Gas	18.6	18.6
Purdum Unit #8	2000	7FA Combined Cycle	Natural Gas/Diesel	22.2	25.8
BP12 1C1	2018	RICE	Natural Gas	9.3	9.3
BP12 1C2	2018	RICE	Natural Gas	9.3	9.3
Solar Farm 1	2017	Solar	Solar	20	20
Solar Farm 4	2019	Solar	Solar	42	42

¹This is the CO date for the repowered HP2

²Reciprocating Internal Combustion Engine/Generator

As part of the City's commitment to environmental sustainability and a diverse power supply portfolio, the City has entered into Purchase Power Agreements (PPA) for two solar farms. The two PPA's are with FL Solar 1, LLC for Solar Farm 1 with a contracted output of 20 MW alternating current (AC) and FL Solar 4, LLC for Solar Farm 4 with a contracted output of 42 MW AC. The terms of the PPA call for the City to purchase 100% of the facility output for 20 years at a pre-determined pricing schedule. The City has two five-year renewal options that it can exercise at the end of the initial contract term. Starting in the ninth year of each PPA, the City has an annual right to acquire the facilities. The facilities are located on City-owned land at the Tallahassee International Airport. FL Solar 1, LLC and FL Solar 4, LLC each have land leases for the underlying land for 35 years. To meet specific FAA requirements, the Electric Utility is responsible for compensating the airport with an annual lease payment. While the City is purchasing the energy, the respective lease payments will be made from Electric revenues. Should the PPA be terminated, the respective company will reimburse the Electric Utility for the annual lease payments while their facility remains on the site.

The City continually monitors changing regulatory, legislative and industry trends that could potentially impact the selection of future power supply resources. This includes regularly evaluating the current resource plan for risk exposure, primarily, using sensitivity cases, that are analyzed to determine if the resource plan is sufficiently robust to remain stable (reliable service at the lowest cost) for variations in key assumptions. While several assumptions are routinely tested in the resource planning process (such as load

growth and fuel prices), there continue to be significant areas of uncertainty that represent a potential near-term risk to the City, such as continued changing environmental regulations and the evolving mandatory reliability standards framework.

The City continues to be committed to a robust Demand Side Management (DSM) program that was identified through a prior preferred resource plan and is currently under review through a new DSM planning study in support of the City's clean energy goals (discussed in the next section). Based on the projected impacts associated with their DSM portfolio, the City's need for new capacity has been deferred. However, uncertainty remains about how responsive the City's customers will be in adopting additional DSM measures that can achieve the capacity and energy savings identified in the portfolio. The Electric Utility continues to assess the risk exposure related to this DSM portfolio and identify options the City could consider should the anticipated savings not be achieved as planned. In addition, the City continues to analyze the number, sizes and expected duty cycles of the City's electric generating units (referred to as "capacity mix"), inter-utility transmission capabilities, and other potential sources of risk to economical and reliable electric service.

Capacity mix is an essential consideration in the City's planning process. To satisfy expected electric system requirements, the City currently assesses the adequacy of the total capability of power supply resources versus a 17% load reserve margin criterion. However, the evaluation of the reserve margin is made only for the annual electric system peak demand and assumes all power supply resources are available. Resource adequacy must also be evaluated during other times of the year to determine if the City is maintaining the appropriate amount and mix of power supply resources.

About two-thirds of the City's power supply comes from two generating units, Purdom Unit 8 and Hopkins Unit 2. The outage of either of these units can present operational challenges, especially when coupled with transmission limitations. For these reasons, the City continues to evaluate alternatives to its current load reserve margin supplement fleet criterion that may better balance resource adequacy and operational needs with utility and customer costs. The results of these evaluations suggested that the City's current load reserve margin supplemental criterion should be supplemental by a criterion that considers the number and sizes of power supply resources (unit size diversity) to ensure adequacy and reliability. Addressing this criterion led to the replacement generation project at Hopkins and the distributed generation project BP12.

General Mutual Aid Agreement

The City is a participant in the Second Amended and Restated Mutual Aid Agreement for Extended Generation Outages (the "Agreement") with Florida Municipal Power Agency (All-Requirements Power Supply Project), Gainesville Regional Utilities, the Jacksonville Electric Authority (JEA), the City of Lakeland, the Orlando Utility Commission, and the Municipal Electric Authority of Georgia. Under the terms of this Agreement, should one of the parties have a named unit experience an extended forced outage of 60 consecutive days or more, the party may call upon the other parties to provide replacement energy, up to the amount identified for the named unit, for a period from 61st day to the 365th day of the event. For the City of Tallahassee, Hopkins Unit 2 and Purdom Unit 8 are named units and the capacity covered by the Agreement is 150 MW for each unit. The Agreement provides for a known means to price the energy that is provided under the Agreement. While not an obligation to take energy under the Agreement, the Agreement provides the City with an option to obtain replacement energy should there be an extended forced outage of one of the City's two largest units.

Clean Energy Plan

In October 2017, the City Commission directed staff to begin work on a plan to increase the use of renewable energy with a target of 100% renewable by a date certain. On February 20, 2019, the City Commission adopted a Clean Energy Plan (CEP) resolution. This resolution recognized the City's historical focus on the environment and sustainability and set new goals to move the City and community to 100% renewable energy by 2050. This would include all segments of energy use in the City and community including electricity, natural gas, and transportation. The resolution also adopted interim goals for City operations that include: movement of all City facilities to 100% renewable by 2035; conversion of the City's mainline buses to 100% electric by 2035; conversion of 100% of the City's light duty vehicles to 100% electric by 2035; and conversion of the City's medium and heavy-duty vehicles to 100% electric as the technology is available. A third-party consultant, GDS Associates, had been engaged to develop an Energy Integrated Resource Plan (EIRP). The EIRP helped shape the blueprint for moving the City and community to the 100% goal while maintaining the required reliability demands of our customers and performing the conversion in a cost-effective manner.

In 2023, City staff presented the Clean Energy Plan (CEP) to the City Commission, which was unanimously accepted. The plan involved seven broad goals that establish targets over the next five-seven years related to renewable energy, energy efficiency, and clean transportation. Outlines within these goals are 85 action items that provide direction for staff and serve as a roadmap for City operations and community activities.

Since 2020, the following CEP activities occurred:

- Under the City's solar subscription program for SF4, the City subscribed to have 100% of its occupied buildings powered by 100% solar, making Tallahassee the first of 33 public power utilities in Florida to power 100% of its City buildings with solar energy;
- The City conducted a series of community forums to provide opportunities for the public to contribute to the clean energy planning process. An initial round of public engagement took place in late 2020 and early 2021, followed by a second round in late 2021 and a final round in late 2022 and early 2023. The input received from the public will help shape the clean energy roadmap for the community;
- The City was authorized to install up to four public electric vehicle charging stations throughout Tallahassee as a pilot project. Staff is working on design and engineering. These stations will feature Level III DC Fast Chargers. The stations will be owned and operated by the City;
- Approximately one-third of the City's main-line bus fleet is all-electric. Primarily serving Florida State University, this fleet has become the first all-electric campus bus system in the nation; and
- As of 2023, the City has nearly 100 light-duty electric vehicles in its fleet along with nearly another 100 hybrid electric vehicles.

Wholesale Energy Services (Formally known as Energy Services)

Wholesale Energy Services' (WES) primary mission is to optimize the economic dispatch of the Electric Utility's generation resources, manage fuel supply for the City's Electric and Gas Utilities, and provide power marketing services for the Electric Utility. WES forecasts daily load requirements for the City's Electric and Gas Utilities, schedules generation resources and purchases natural gas to meet both the Electric and Gas Utility's needs economically and reliably. WES leverages the City's generation resources to create revenues through buying and selling power in the short-term and long-term wholesale markets. These activities help to deliver the lowest cost power reliably to the City's utility customers.

WES also takes advantage of the City's municipal tax-exempt status through "prepay" natural gas supply agreements. This allows the City to receive discounted gas supplies through joint participation in prepay agreements. The discounts are generated by leveraging the value between tax-exempt and taxable bonds without putting any funds directly at risk. The City currently has eight active prepay agreements identified by counterparty, term, volume, discount and estimate savings as follows:

- Tennessee Energy Acquisition Corporation (TEAC)/Goldman, August 2006 – July 2026, 3,300 MMBtu/day, \$0.45 discount, \$542k/year, \$10.8 million over the term;
- TEAC/Goldman, April 2018 – March 2053, 6,000 MMBtu/day, \$0.28 discount, \$613k/year, \$18.4 million over the term;
- Blackbelt/Goldman, November 2018 – October 2048, 12,000 MMBtu/day, \$0.40 discount, \$1.75 million/year \$52 million savings over the term;
- TEAC/Goldman, April 2022 – March 2052, 8,000 MMBtu/day, \$0.38 discount, \$1.1 million/year, \$33 million over the term;
- Municipal Gas Authority of Georgia (MGAG)/Citadel – July 2022 – June 2052, 3,000 MMBtu/day, \$0.54 discount, \$592k/year, \$17.7 over the term;
- Municipal Gas Authority of Georgia (MGAG)/Citibank – August 2022 – July 2052, 5000 MMBtu/day, \$0.30 discount, \$547k/year, \$16.4 over the term;
- Southeast Energy Authority (SEA)/Morgan Stanley – December 2022 – November 2052. 5000 MMBtu/day, \$0.32 discount, \$584k/year, \$17.5 over the term. This agreement was approved on January 18, 2023; and
- Southeast Energy Authority (SEA)/J Aron – July 2023 – December 2053, 6,000 MMBtu/day, \$0.52 discount, 1.1 million/year, \$40 million over the term.

The City had another pre-pay with Mainstreet/Royal Bank of Canada. This pre-pay was established in July 2010 and was scheduled to run through June of 2040 for 5,000 MMBtu/day, at a \$0.40 discount. Due to the significant decline in interest rates, Mainstreet notified the City in 2020 that they were exercising their early termination provisions and closed the transaction in October 2020. As a result, Mainstreet returned \$6,033,095.86 to the City as a settlement distribution. These funds were deposited in the City's Energy Cost Recovery Charge Fund.

The City is currently awaiting pricing in the market for another prepay transaction with the Southeast Energy Authority (SEA). This transaction is for 5,000 MMBtus/day over 30 years.

The sum of the City's existing prepay savings is estimated to exceed \$175 million over the full terms of the various prepay agreements. The prepay contract volumes represent approximately 67% of the gas supply for the Electric and Gas Utilities in 2023 and taper off to 48% in 2048 and 0% after 2054. Management will continue to evaluate the need for additional prepay volumes in conjunction with the Clean Energy Plan and long-term system planning objectives.

WES markets and trades natural gas and pipeline capacity in the wholesale market to reduce the cost of pipeline capacity and generate revenues if market conditions allow. Short-term supplies of natural gas are purchased in the physical market and long-term supplies are hedged with financial contracts through the Chicago Mercantile Exchange (CME) and the Over the Counter (OTC) market using International Swap Dealers Association (ISDA) agreements. These instruments help stabilize the City's budget and protect its customers from volatile price movements.

The City Commission established the Energy Risk Policy Committee (ERPC) for policy development and oversight of the City's fuel purchases and hedging program. The ERPC is comprised of the City's appointed officials and executive staff from the City's Utility, Financial, and Administrative units. The City Commission has approved up to \$30 million from the Electric Operating Reserve for CME related financial trades beyond the current fiscal year. All trading is consistent with the approved policy, pre-established market risk tolerances, and the City's budgetary and utility rate objectives. Financial contracts using ISDA agreements to purchase natural gas are individually negotiated with each counterparty. Credit thresholds are based on the individual company's credit risk profile and established in consultation with the City's risk management consultant.

The City's hedging program proved extremely valuable to the City and its customers during FY 2022 & FY 2023. Natural gas prices increased significantly throughout FY 2022 due to a strong rebound in the post-COVID-19 economy, inflationary pressures and above-average usage due to weather. The market price for natural gas averaged \$6.54/MMBtu for the full year, but the City only paid \$2.62/MMBtu for 80% of our gas supplies due to hedging. Fiscal Year 2022 gas supplies were hedged during March 2020 when gas prices

were at their lowest point in several years due to the economic impact of COVID-19. As a result of the hedges, the City's electric and gas utility customers saved over \$75 million on their utility bills during FY 2022. The City saved another 15 million in FY 2023 from below market hedges. After a sustained drop in natural gas prices throughout 2023, the City fully hedged FY 2025 to maintain future rate stability. We expect to add additional hedges for FY 2026 and beyond if prices meet our target values.

The City's Energy Risk Management Program monitors and reports the market-based financial risks of the organization regularly. The program mainly focuses on the market and credit risks associated with the City's electric energy production and wholesale business activities. The Energy Risk Management Policies and Procedures were revised in 2019 to update processes and streamline procedures. Under this program, WES adheres to approved policy by operating under the following guidelines:

- Transactions obligating the City to liquidated damages are not offered;
- Non-performance liability for the City is limited to transaction revenue margins;
- Long-term firm transactions are coordinated and reviewed by the City Manager, Electric and Gas Utility and the ERPC; and
- Wholesale market trading partners' credit worthiness determinations, including trade limits, are performed by the City's independent consultant continuously.

Per the City's Energy Risk Policies and Procedures, WES procures natural gas supplies from numerous producers and other market participants for physical delivery to the City via long-term transportation agreements with Florida Gas Transmission of Southern Natural Gas. WES purchases diesel fuel to provide backup for the Electric Utility's generating units if natural gas or pipeline capacity is constrained.

City Electric Transmission System

The City's existing transmission system includes approximately 219 circuit miles of transmission lines operated at voltages of 230kV and 115kV. With the completion of the last of the 115kV installations (line 55) and the 230kV upgrades, the City now has a transmission network that forms 115kV and 230kV loops that extend around and through the City limits. The Electric System has substations at 28 locations, one each at the Hopkins and Purdom stations, 21 bulk power substations, three transmission substations, and two 12.47kV distribution step-down substations. At the 21 bulk power substations, the power is transformed from the transmission voltage of 115/230kV to the distribution network voltage of 12.47kV. The transmission, distribution, and generation facilities are monitored and controlled remotely from the City's Electric Control Center utilizing a Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS).

The City is interconnected with Duke Energy Florida ("Duke") at five locations on its system and with The Southern Company ("Southern") and its operating affiliates at one location.

The City continues to evaluate its transmission system to maintain the reliability of its grid and to ensure compliance with the North American Electric Reliability Corporation (NERC) standards. Due to NERC requirements, Purdom Plant's capacity is marginally limited under some transmission outage scenarios. A project is underway to upgrade the capacity of Line 3B to address some of the limitations was completed in 2022. However, limitations still exist during certain contingencies.

The City's projected transmission import capability continues to impact the need for future power supply resource additions. The City's internal transmission studies have reflected a gradual deterioration of the system's transmission import (and export) capability into the future, due in part to the lack of investment in the regional transmission system by neighboring utilities around Tallahassee as well as the impact of increasing unscheduled power flow-through on the City's transmission system as new PV Generation facilities come online outside of the TAL Transmission System. The City is working with its neighboring utilities, Duke and Southern, to plan and maintain, at minimum, sufficient transmission import and export capability to allow the City to make emergency power purchase and sales in the event of the most severe single contingency (the loss of the system's largest generating unit) or to alleviate operation constraints such as minimum generation load levels.

The prospects for significant expansion of the regional transmission system around Tallahassee hinge on the City's ongoing discussions with Duke and Southern, and now Florida Power and Light (FPL) and Gulf as they have constructed a new transmission line between the two companies. The FPL-Gulf line may provide improved opportunities as it will require a review of all the transmission pathways in the North Florida area, including the effect on the Florida-Southern Interface (See "Gulf Transmission Line" section below for more details). The City also continues to work within the Florida Reliability Coordinating Council's (FRCC) regional transmission planning process, and the evolving set of mandatory reliability standards issued by NERC. It is unclear at this time if any of these opportunities will produce substantive improvements to the City's transmission import/export capability in the short term. In consideration of the City's limited transmission import capability, the results of recent power supply resource studies tend to favor local generation alternatives as the means to satisfy future requirements.

Regulatory

The City's Electric and Gas Utility is subject to various regulatory laws and requirements, including among other things, environmental, safety and reliability, by a variety of entities at the federal, state, and local levels. These laws and requirements generally can substantially increase the City's system costs by requiring alterations in the equipment or mode of operation of existing and proposed new facilities. Due to the constantly changing nature of these regulations, there is no assurance that the City's facilities will remain subject to the regulations currently in effect, will always comply with future regulations, or will always be able to obtain or maintain all required permits. An inability to comply with regulatory standards or deadlines could result in fines or legal action, as well as impacting various operational aspects of the utility. This section summarizes the major regulatory and environmental issues facing the Electric and Gas Utility but is not intended to describe each, and every regulatory requirement the Utility must adhere to.

Environmental

The City proactively monitors pending legislation and rulemaking that could impact utility operations, performs internal audits to discover and address any potential non-compliance issues, and maintains open communication with regulatory agencies. While all environmental permits for power generation are current and in compliance, there are multiple proposed regulations that may impact future operations, and they are categorized by environmental sector.

General: Over the past couple of years, there has been an uptick in environmental regulatory inspections and enforcement actions across the state. In September 2019, the State of Florida Department of Environmental Protection ("FDEP") issued a memo limiting the use of Compliance Assistance Offers ("CAO"), a method of informal enforcement where the responsible party comes back into compliance without the assessment of civil penalties or orders of corrective action. The memo limits CAO's to two per permitted facility within a rolling five-year period. It is expected that if a third violation is noted, and an exception to this memo is not received, a warning letter will be issued. If both parties are willing, a warning letter generally resolves itself through the entrance of a Consent Order. If a resolution cannot be reached, the FDEP may initiate an administrative action by issuing a Notice of Violation or a civil action by filing a Complaint. The legislation became effective July 1, 2020, that increased maximum imposition of environmental civil penalties by 50%. To maintain environmental compliance, the City performs proactive internal audits to discover and address any potential non-compliance issues.

Air: The City's generating plants are subject to the Acid Rain cap and trade program and the City holds more than sufficient allowances of both sulfur dioxide (SO₂) and nitrogen oxides (NO₂). The Arvah B. Hopkins Generating Station (Hopkins) and the Sam O. Purdom Generating Station (Purdom) have completed permit renewals with conditions that create streamlined compliance requirements. The Substation 12 Reliability Station is due for an Air Operation Permit renewal in April 2024, and there is no expectation that significant changes will need to be made.

Air Emissions Reporting Requirements (AERR): On August 9, 2023, EPA proposed revisions to the Air Emissions Reporting Requirements rule. Under the proposed AERR, point sources would be required to annually report emissions of hazardous air pollutants (HAPs) directly to EPA, rather than triennial reports to Florida Department of Environmental Protection (FDEP). As proposed, there will be a change in the reporting threshold for HAPs in the proposed AERR that appears to be significant. Currently, FDEP requires triennial reporting of any single HAP emission of 1,000 pounds (lbs.) per year for pollutants with an emissions standard, and 2,500 lbs. per year for any pollutant without an emissions standard. The proposed AERR requires reporting of all HAPs, with no apparent minimum reporting threshold for major sources. Additionally, EPA proposes to require sources to report the results of required stack tests and performance evaluations electronically to EPA's Compliance and Emissions Data Reporting Interface (CEDRI) systems when not otherwise reported to EPA. The proposed rule could increase the burden of reporting on both FDEP and the City, as more frequent and duplicative reporting could incur some additional costs.

Greenhouse Gas Regulations: A replacement to the Affordable Clean Energy (ACE) Rule was proposed on May 5, 2023. The ACE Rule was intended to regulate greenhouse gases (GHGs) from existing coal-fired electricity generating units. This new replacement rule proposes to regulate GHG emissions from new electricity generating units (EGUs), existing boilers, and existing baseload combustion turbines (CTs). The City owns and operates a CT that is likely to be subject to the rule. As currently proposed, existing CTs > 300 MWs and with a capacity factor of > 50% would be required to operate carbon capture and sequestration systems with 90% capture by 2035 or use 30% hydrogen as fuel by 2032 (increasing to 96% by 2038). The proposed GHG reduction strategies have not been consistently demonstrated in Florida and the infrastructure for both is fledgling at best. There could be significant costs associated with compliance with the proposed rules as currently written. The City is continuing to monitor updates to the rule and has participated in developing comments with industry groups of the questions surrounding the proposed controls.

“Once In, Always In” Rule: In 1995, EPA issued the “Once In, Always In” (OIAI) Policy and determined that any facility subject to major source HAP emissions standards (via the National Emissions Standards for Hazardous Air Pollutants (NESHAPs)) would always remain subject to those standards. The policy was designed to achieve lasting emissions reductions from major sources and ensure continued compliance assurance once air pollution standards for major sources were in place. In 2020, EPA issued a rule that allowed a major source of HAP to reclassify as an area source at any time after agreeing to limit their emissions below the major source thresholds. A new proposed rule addressing OIAI would add new requirements for major sources to downgrade to area sources: the source must undertake potential-to-emit (PTE) safeguards and accept federally enforceable permit limits on PTE. The safeguards would consist of (1) control methods that continue to employ the same emission control methods under the major source NESHAP requirement; (2) control methods prescribed for reclassification under a specific NESHAP; or (3) emission controls that the permitting authority approves as not allowing emissions of HAP above the HAP standards in place at the time of reclassification. The proposed updates to the OIAI Rule would apply to any future reclassifications as well as any reclassifications since January 25, 2018. Sources reclassified between January 25, 2018, and the effective date of the final rule will have three years from the effective date to obtain federally enforceable “safeguard” provisions in their permits.

The City's Hopkins and Purdom Generating Stations were reclassified from major sources of HAPs to area sources in 2022. These reclassifications were done by demonstrating that each of the generating stations, operating 365 days a year, and with the current control operations, would not exceed the major source of HAP thresholds; and updating prior emission estimates using site-specific data instead of conservative emission factors. The change from major source status to area source allowed the City to achieve cost saving benefits and a reduction in regulatory requirements. Based on how the reclassification was demonstrated, the generating stations are not anticipated to be impacted by this rule.

RMP Revisions: EPA has proposed revisions to the Risk Management Program (RMP) rules. These proposed amendments, the Safer Communities by Chemical Accident Prevention (SCCAP), adds new

provisions which Hopkins (the only facility currently subject to Risk Management Planning requirements) will likely have to address:

1. Natural hazards and power loss: Natural hazards (including those that result from climate change) and loss of power are among the hazards that must be addressed in Program 2 hazard reviews and Program 3 process hazard analyses. (Hopkins is listed as Program 3).
2. Root cause analysis: Requiring a formal root cause analysis incident investigation when facilities have had an RMP-reportable accident.
3. Third-party compliance audits: Requires the next scheduled audit be a third-party audit when an RMP-regulated facility experiences two RMP-reportable accidents within five years and requiring justification in the Risk Management Plan when third party compliance audit recommendations are not adopted.
4. Employee participation: Requires (1) Employee participation in resolving process hazard analyses, compliance audit and incident investigation recommendations and findings, (2) Outline stop work procedures in Program 3 employee participation plans., and (3) Requiring Program 3 employee participation plans to include opportunities for employees to anonymously report RMP-reportable accidents or other related RMP non-compliance issues.
5. Mandatory Emergency Response Exercises: Program 3 processes subject to the emergency response program requirements, at a minimum, must conduct field exercises involving a simulated accidental release of a regulated substance once every 10 years, unless local responders indicate that frequency is infeasible. Also, EPA has proposed to require that current recommended field and tabletop exercise evaluation reports be mandatory.
6. Community Notification of RMP Accidents: Ensure that a community notification system is in place for notification of RMP-reportable accidents.
7. Enhanced Information Availability: New requirements for the facility to provide chemical hazard information upon request to residents living within 6 miles of the facility, in the language requested.

Environmental Justice: The Biden administration has brought renewed focus to issues involving environmental justice and has provided new guidance on ensuring that all people in the United States, regardless of race, color, national origin, disability, age, sex, or income will not be denied equal access to a healthy environment. EPA's guidance encourages EPA regions to work with state, local and tribal permittees to incorporate the following principles into all air permitting actions: identify communities with potential EJ concerns, engage early and promote meaningful participation and fair treatment, enhance public involvement, conduct a fit for purpose EJ analysis, minimize and mitigate disproportionately high and adverse impacts, provide federal support, enhance transparency, and build capacity to enhance consideration of EJ issues.

Hopkins Tank Leak: In January 2012, a leak was discovered from Diesel Fuel Oil Tank A-11 at the Hopkins Generating Station. Remedial efforts were performed until FDEP agreed to regulatory closure through the entrance of a Declaration of Restrictive Covenants (DRC). The DRC provides an engineering control in the form of impermeable cap and groundwater/stormwater restrictions within a small footprint around the tank. The DRC was recorded in Leon County official records on July 3, 2018, and the City received regulatory closure through a Conditional Site Rehabilitation Completion Order (SRCO) on July 18, 2018.

Sulfuric Acid Leak: In the early morning hours of May 2, 2020, City staff at the Hopkins Generation Facility responded to a sulfuric acid leak discovered on the property. A small acid feed line had developed a leak that resulted in approximately 1,800 gallons of sulfuric acid being released on-site, with a small amount migrating off-site. Staff took immediate actions to isolate the leak and mitigate the impacts. Staff were able to recover most of the release and all required notifications were made to the appropriate local, state, and federal entities.

Tank Inspections: Tank inspections performed by FDEP's delegated authority are in compliance; and registration and Financial Responsibility Reporting are current.

Lake Talquin Total Maximum Daily Load (TMDL): The Lake Talquin Nutrient Total Maximum Daily Load (TMDL), was established in Rule 62-304.305, Florida Administrative Code (F.A.C.), dated May 16, 2022. Waste load allocations (WLA) for Arvah B. Hopkins Generating Station's (Hopkins) National Pollutant Discharge Elimination System (NPDES) permit included in the Rule are set at 986 kilograms per year (kg/year) of total nitrogen (TN) and 2,409 kg/yr. of total phosphorus (TP). The WLAs are expected to be sufficient under current operating conditions.

National Pollutant Discharge Elimination System (NPDES) Permits: The City is currently operating in compliance with all its NPDES permit conditions for Hopkins and the Sam O. Purdom Generating Station (Purdom). The NPDES permit for Purdom was renewed on December 9, 2022; and Hopkins' permit was renewed on August 25, 2023.

EPA Proposed Human Health Water Quality Criteria for Florida:

In December 2023, EPA proposed 73 water quality criteria (37 new HHC and 36 revised HHC) for waters in Florida necessary to make Class III waters safely fishable and Class I waters safely drinkable and fishable, which EPA characterizes as criteria necessary for protection of human health (HHC). The City's NPDES permits for Hopkins and Purdom are renewed at 5-year intervals. During the renewal process, analysis of the facilities' wastewater is completed for a FDEP defined list based on the industrial category and compared against the surface water standards. The proposed HHC is currently being evaluated to understand the potential impacts to the City.

NPDES construction generic permits (CGP) and NPDES Multi-Sector Generic Permits for Industrial Stormwater (MSGPs): FDEP's preliminary planning is underway to initiate rulemaking for CGP and MSGP. Current Rule 62-621.300, F.A.C., adopts and incorporates by reference Federal Register, Volume 60, Number 189, pages 50804-51319, published on September 29, 1995. The proposed change will modify the Rule to adopt and incorporate by reference EPA's 2021 MSGP. The EPA 2021 MSGP may require additional stormwater sampling for Hopkins and Purdom. The City is monitoring FDEP's potential Rule change.

Florida Public Service Commission Gas Regulations

The Gas Utility is subject to regulation by the Florida Public Service Commission (FPSC) concerning safety and operational aspects of its operations. Annually the FPSC performs a complete operational and safety audit of the Gas Utility. During 2023, for the fourteenth consecutive year, the FPSC audit had no findings. This is a significant milestone for the Gas Utility.

North American Electric Reliability Corporation (NERC) Standards

The North American Electric Reliability Corporation (NERC), acting in its role as the FERC certified Electric Reliability Organization (ERO), has adopted Operations & Planning (O&P) and Cyber & Physical Security Standards that apply to the City's Electric utility operations. The initial standards became effective in June 2007 and continue to evolve. FERC has approved the NERC compliance and monitoring programs and has authorized NERC to utilize Regional Entities to conduct these activities. NERC, and its applicable Regional Entity, are authorized to require corrective measures and levy financial penalties of up to \$1,000,000 per day per violation. Historically, the City's Electric utility has fallen under the Florida Regional Coordinating Council (FRCC) Regional Entity for the compliance and monitoring of these requirements. In 2019, the FRCC Regional Entity was dissolved, and the City's compliance and monitoring was moved under the SERC region. As a "Balancing Authority" and "Transmission Operator", the City is subject to on-site compliance audits every three years for both Operations/Planning and Cyber Security Standards separately. Spot checks can be performed in the off years. The City is also subject to annual certifications and can self-report violations. For any audit findings or self-reports, there are three potential outcomes: 1) the issue can be deemed to be minor and addressed under NERC's "Find-Fix-and-Track" program, which results in no sanctions or fines; 2) be declared a Compliance Exception by NERC, which results in no sanctions or fines, or 3) be found as a violation with associated penalties to include fine or sanctions.

The City has a robust internal compliance program concerning the NERC standards. This program includes utilizing a dedicated Electric System Compliance Division dedicated to the oversight of the Cyber/Physical Security standards. As a result of these audits and the pre-work, the City was not subject to any formal violations that resulted in fines or sanctions.

In 2021, the City was subject to its first compliance audits for both the O&P and Cyber/Physical Security standards under the SERC region. Both audits were performed remotely due to the COVID-19 protocols in place at SERC. The O&P audit closed with one finding for incorrect settings applied at one generating unit. The documentation required to dispose of the violation was completed in 2022 resulting in no fine or sanction. The Cyber/Physical Security audit resulted in no findings of non-compliance.

Electric and Gas Retail Rates

Under existing Florida law, the City Commission has the exclusive authority to establish the level of electric and gas rates. Rate level refers to the total amount of revenue to be recovered by the Electric System. The FPSC has jurisdiction over the City's electric rate structure. Rate structure addresses how the total revenue requirements are allocated to and recovered from the Electric System's various rate changes.

The City's current electric rates include a customer charge that varies by customer class, a demand charge (for large commercial customers), a non-fuel energy charge, and an Energy Cost Recovery Charge (ECRC). The City has had an optional residential time-of-use rate (known as Nights and Weekends) since April 2012. The City's current gas rates include a customer charge, that varies by customer class, a non-fuel energy charge, and a Purchased Gas Recovery Charge (PGRC).

Electric and Gas rate revenues are composed of two categories: ECRC/PGRC and base rate revenues. The ECRC/PGRC is a pass-through charge that recovers the cost of fuel used in the City's power generating facilities, the cost of wholesale power purchased from other utilities, and the gas purchased for the Gas Utility. The City reviews the actual over or under-recovery of these costs on a monthly basis and modifies the ECRC/PGRC charge, if required, on at least a semi-annual basis. All other rates (referred to as base rates) are reviewed and adjusted periodically to ensure rate level sufficiency and equitable rate structure.

The City continues to emphasize managing the cost of fuel and purchased power passed onto its customers through the ECRC. The City actively manages its fuel supply and energy supply portfolio to minimize the impact of natural gas price volatility. The City's residential rates continued to be competitive with the statewide average in FY 2023. Based on usage of 1,000 kWh, the City's bill of \$127.92 was lower than the statewide average, as of September 2023, of \$129.51 (this includes the 6% franchise fee applied to all investor-owned rates and storm hardening fees, if applicable).

In the Spring of 1999, the City developed a tariff for long-term contracting with all demand-metered non-residential electric customers. The tariff, referred to as the "Preferred Customer Electric Service Agreement" (PCES), was approved by the City Commission on April 28, 1999, and by the FPSC on May 4, 1999. Under this Agreement, rate discounts are provided to the customer in return for a ten-year commitment from the customer to use the City as its electricity provider. The rate discounts are 5% for the General Service Demand (GSD) class of non-residential accounts and 7% for the General Service Large Demand (GSLD) accounts.

To adjust rates over time to reflect the cost of service while avoiding undue rate shock, Section 21-241 of the Tallahassee Code of Ordinances requires an increase to electric and gas rates on October 1 of each year equal to the increase in the Consumer Price Index (CPI) for the 12 months ended the preceding March 31st. Pursuant to this ordinance, electric base rates were increased on October 1, 2023 by 8.0%.

With the addition of the City's first solar farm, the City offered its customers a solar subscription program. Under this program, customers may subscribe for all or part of their energy needs to be supplied from the solar farm for 20 years. Customers will continue to pay the customer charge and the non-fuel energy charge. For solar subscribers, their ECRC reflects the levelized solar cost for the energy; 50% of the ECRC is at the current ECRC and 50% will be at \$0.05 per kWh. The \$0.05 per kWh for the solar subscription program is a levelized cost for 20 years and is reflective of the City's Operation of the second solar farm (FL Solar 4). The City opened subscriptions in the Spring 2020 for the second solar farm. As part

of the City's Clean Energy Plan commitment, the City has enrolled all its occupied buildings in the subscription program.

Capital Improvement Program

The City, as part of its annual budget process, adopts a Five-Year Capital Improvement Program for the Electric and Gas Utility. The first year of this program becomes an appropriation, and the remaining four years constitute a planning document, which estimates capital expenditures and identifies the related funding sources. For FY 2023, the Electric approved additions were \$50.1 million with a five-year plan totaling \$258.4 million, while the Gas approved additions were \$3.9 million with a five-year plan totaling \$21.1 million.

Currently, the City has no plans on issuing new energy systems debt in the next few years. Both the Electric and Gas utilities are cash-funding their capital programs, and also exploring any funding opportunities from the Inflation Reduction Act and/or Bipartisan Infrastructure Law.

The following provides the status or a description of major capital projects:

- Electric and Gas utility system expansions to support customer demands;
- Downtown Secondary Network System – South Network Vault Modernization Project;
- BP9 Mobile Substation Connection Project;
- Tram Road/Woodville Highway Relocation;
- Capital Circle SW Transmission Line Relocation;
- Demolition of HP1 Cooling Tower, HP1 Stack, and Fuel Oil Tank 4;
- LM6000 HM1 Replacement;
- New Utilities Warehouse;
- SCADA System Modifications and upgrades;
- Clean Energy Plan and Solar Capacity Expansion; and
- Public Electric Vehicle Charging Station Pilot Project.

SELECTED ENERGY SYSTEM STATISTICS**Electric System - Sales to Ultimate Customers, by Customer Class**

<i>For Fiscal Years Ended September 30</i>	2019	2020	2021	2022	2023
Residential					
Average Annual Customers	103,673	105,035	106,472	107,327	106,313
Energy Sales (MWh)	1,141,544	1,155,310	1,153,518	1,156,562	1,134,548
Average Annual Use Per Customer (kWh)	11,011	10,999	10,834	10,776	10,672
Average Annual Revenue per Customer	\$ 1,250	\$ 1,260	\$ 1,240	\$ 1,308	\$ 1,381
Commercial and Industrial					
Average Annual Customers	14,847	14,943	15,171	15,333	14,802
Energy Sales (MWh)	1,523,871	1,430,187	1,401,780	1,435,189	1,479,143
Average Annual Use Per Customer (kWh)	102,641	95,710	92,398	93,601	99,928
Average Annual Revenue Per Customer	\$ 8,579	\$ 7,976	\$ 7,979	\$ 8,617	\$ 9,566
Public Street Lighting					
Average Annual Customers	4,555	4,549	4,491	4,498	3,762
Energy Sales (MWh)	32,252	32,527	32,988	32,909	28,991
Average Annual Use Per Customer (kWh)	7,080	7,150	7,345	7,316	7,471
Average Annual Revenue per Customer	\$ 830	\$ 834	\$ 887	\$ 940	\$ 1,047
Total Sales to Ultimate Customers					
Average Annual Customers	123,075	124,527	126,134	127,157	124,876
Energy Sales (MWh)	\$2,697,666	\$2,618,025	\$2,588,286	\$2,624,660	\$ 2,642,683
Average Annual Use Per Customer (kWh)	21,919	21,024	20,520	20,641	21,162
Off System Sales					
Sales for Resale (MWh)	159,575	169,032	196,077	266,507	399,008
Total Sales (MWh)	\$2,857,241	\$2,787,057	\$2,784,362	\$2,891,167	\$ 3,041,692

Electric System - Selected Operating Costs and Ratios

<i>For Fiscal Years Ended September 30</i>	2019	2020	2021	2022	2023
Revenue per kWh					
Residential Customers	\$0.112	\$0.111	\$0.114	\$0.121	\$0.129
Commercial and Industrial Customers	0.084	0.083	0.086	0.092	0.096
Public Street Lighting	0.117	0.117	0.121	0.129	0.140
Expenses Per kWh					
Total Operating Expense per kWh	0.081	0.091	0.082	0.073	0.086
Financial Ratios					
Debt to Total Assets	0.592	0.594	0.546	0.509	0.498
Operating Ratio	0.823	0.891	0.838	0.871	0.829
Current Ratio	5.317	6.283	4.656	5.324	4.662

Electric System - General Statistics*For Fiscal Years Ended September 30*

	2019	2020	2021	2022	2023
Generating Capacity (MW) (Summer)	706	725	725	725	737
Capacity Purchases (MW) (Summer)	-	-	-	-	-
Net System Energy Generated (MWh)	2,879,682	2,685,677	2,767,933	2,867,593	3,024,269
Net Peak Demand (MW) Summer	616	576	573	590	616
Net Peak Demand (MW) Winter	508	528	504	538	574
Average Residential Monthly Bill (\$)	\$ 116	\$ 117	\$ 115	\$ 126	\$ 124
Number of Street Lights	19,302	19,529	19,926	20,073	20,135
Average Residential Monthly Bill (\$) per Service Point	\$ 102	\$ 102	\$ 104	\$ 109	\$ 120

Electric System - Summary of Projected Demand and Energy Requirements (MW)*For Fiscal Years Ending September 30*

	2024	2025	2026	2027	2028
Annual 60-Minute Peak Demand ¹					
Summer (MW)	627	627	626	624	619
Winter (MW)	574	576	578	580	569
Annual Energy Sales (GWh) ²	2,788	2,812	2,830	2,849	2,736
Sales to Talquin Customers Served by the City (GWh)	30	30	30	30	30
Purchases from Talquin (GWh)	3	3	3	3	3
Losses and Unaccounted for Energy (GWh)	141	126	118	108	129
Annual Energy System Requirements (GWh)	2,929	2,938	2,948	2,957	2,890
Annual System Load Factor ³	53%	53%	54%	54%	54%

(1) Includes estimated reduction in seasonal peak demands associated with demand-side management (DSM) program and coincident demand of approximately 5 MW associated with sales to Talquin.

(2) Includes estimated reduction in sales associated with DSM program.

(3) Equals Annual Energy Requirements divided by the product of peak demand multiplied by 8,760 hours.

Gas System - Sales to Ultimate Customers, by Customer Class

<i>For Fiscal Years Ended September 30</i>	2019	2020	2021	2022	2023
Residential (firm)					
Average No. of Customers	29,996	30,852	31,554	32,409	32,927
Usage (MCF)	665,346	654,461	731,626	691,349	540,527
Average Sales Per Customer (MCF)	22	21	23	21	16
Non-residential (firm)					
Average No. of Customers	2,054	2,103	2,077	2,127	2,152
Usage (MCF)	921,283	857,300	928,378	930,332	883,942
Average Sales Per Customer (MCF)	449	408	445	437	411
Special Contract Interruptible					
Average No. of Customers	7	7	7	7	5
Usage (MCF)	970,246	968,449	1,005,658	981,234	992,333
Average Sales Per Customer (MCF)	138,667	138,350	143,665	140,176	198,466
Flexible Contract Interruptible					
Average No. of Customers	4	4	4	4	3
Usage (MCF)	208,069	186,089	182,916	184,608	160,500
Average Sales Per Customer (MCF)	52,022	46,522	45,729	46,152	53,500
Standard Interruptible					
Average No. of Customers	14	14	13	13	11
Usage (MCF)	187,252	154,536	157,486	124,312	117,532
Average Sales Per Customer (MCF)	13,375	11,038	12,114	9,562	10,685
Total Gas System					
Average No. of Customers	32,074	32,975	33,655	34,561	35,098
Usage (MCF)	2,952,814	2,820,844	3,006,064	2,911,835	2,802,940
Average Sales Per Customer (MCF)	92	86	89	84	80
Miles of Gas Lines	930	949	962	975	985
Heating Degree Days (HDD)	1,205	1,076	1,334	1,239	953

Gas System - Projected Sales Volumes in MCF*

<i>For Fiscal Years Ending September 30</i>	2023	2024	2025	2026	2027
Residential	775,000	775,000	775,000	830,000	846,600
Commercial	925,000	950,000	975,000	1,000,000	1,020,000
Contract Interruptible	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Small Interruptible	220,000	220,000	220,000	170,000	170,000
Flexible Interruptible	<u>230,000</u>	<u>230,000</u>	<u>230,000</u>	<u>200,000</u>	<u>200,000</u>
Total	<u>3,150,000</u>	<u>3,175,000</u>	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,236,600</u>

*Forecast prepared by the Gas System and reflects normalized weather.

*Figures reported in are million cubic feet (MCF).

Electric System Ten Largest Retail Customers*Fiscal Year Ended September 30, 2023**Percent of Total Retail Sales*

Customers	Revenue	kWh	Revenue	kWh
Florida State University	\$ 20,350,637	273,116,538	6.60%	9.04%
State of Florida	10,189,612	113,633,672	3.30%	3.70%
City of Tallahassee	8,206,575	84,616,448	2.70%	2.80%
Tallahassee Memorial HealthCare	5,121,376	61,768,616	1.70%	2.00%
Florida A & M University	4,225,583	54,672,569	1.40%	1.80%
Leon County School Board	5,388,806	45,091,068	1.80%	1.50%
Publix Markets	2,172,974	22,569,760	0.90%	0.70%
Wal-mart	1,770,234	19,840,049	0.60%	0.70%
Federal Government	1,739,461	18,506,927	0.60%	0.60%
Leon County	<u>1,499,617</u>	<u>16,169,475</u>	<u>0.50%</u>	<u>0.50%</u>
TOTAL	<u>\$ 60,664,875</u>	<u>709,985,122</u>	<u>20.10%</u>	<u>23.30%</u>

Gas System Five Largest Customers by Consumption*Fiscal Year Ended September 30, 2023**Percent of Total Retail Sales*

Customers	Revenue	Gas Usage	Revenue	Gas Usage
Florida State University	\$ 3,193,069	515,223	10.60%	18.40%
St. Marks Powder, Inc.	1,387,175	278,046	4.60%	9.90%
Tallahassee Memorial HealthCare	1,455,691	171,093	4.80%	6.10%
Florida A&M University	906,445	156,496	3.00%	5.60%
Nopetro LLC	<u>1,456,478</u>	<u>149,597</u>	<u>4.80%</u>	<u>5.30%</u>
TOTAL	<u>\$ 8,398,858</u>	<u>1,270,455</u>	<u>27.80%</u>	<u>45.30%</u>

Electric Rates (effective 10/01/23)

Current¹**Residential**

Customer Charge - Single Phase Service	\$9.40
Customer Charge - Three Phase Service	\$32.89
Energy Charge per kWh	\$0.08694

General Service Non - Demand

Customer Charge - Single Phase Service	\$12.77
Customer Charge - Three Phase Service	\$46.87
Energy Charge per kWh	\$0.0687

General Service Demand

Customer Charge	\$87.98
Demand Charge per kW	\$16.28
Energy Charge-The first 500 kWh per kW	\$0.02777
Excess kWh per kW @	\$0.00392

General Service Large Demand

Customer Charge	\$87.98
Demand Charge per kW	\$16.28
Energy Charge-The first 500 kWh per kW	\$0.02705
Excess kWh per kW @	\$0.00392

(1) A fuel and purchased power charge is also applied to all kWh sold.

Gas Rates (effective 10/01/23)

Current¹**Residential**

Customer Charge (per month)	\$11.81
Energy Charge (per 100 cubic feet)	\$0.84295

Commercial

Customer Charge (per month)	\$21.13
Energy Charge (per 100 cubic feet)	\$0.65692

Commercial Small Interruptible

Customer Charge (per month)	\$211.62
Energy Charge (per 100 cubic feet)	\$0.30883

Commercial Interruptible

Customer Charge (per month)	\$317.42
Energy Charge (per 100 cubic feet)	\$0.23828

Commercial Large Interruptible

Customer Charge (per month)	\$317.42
Energy Charge (per 100 cubic feet)	\$0.11554

(1) A fuel and purchased power charge is also applied to all CCF sold.

Energy System Debt Service Coverage (in 000s)

<i>Fiscal Year Ended September 30</i>	2019	2020	2021	2022	2023
Electric Operating Revenues					
Retail Sales	\$ 262,498	\$ 248,583	\$ 246,319	\$ 289,094	\$ 280,400
Sales for Resale	6,356	5,810	7,514	14,584	15,883
Other Operating Revenues	15,219	16,771	17,692	18,558	18,115
Transfers (to) from	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Electric Operating Revenue	<u>284,073</u>	<u>271,164</u>	<u>271,526</u>	<u>322,236</u>	<u>314,398</u>
Electric Operating Expenses					
Fuel	83,126	66,736	107,507	107,486	91,914
Purchased Power	6,503	9,227	5,832	6,159	5,556
Other	<u>92,241</u>	<u>109,936</u>	<u>99,851</u>	<u>99,546</u>	<u>113,533</u>
Total Electric Operating Expenses	<u>181,870</u>	<u>185,899</u>	<u>173,561</u>	<u>213,212</u>	<u>211,003</u>
Net Electric Revenues	102,203	85,265	97,964	109,024	103,395
Non-Operating Revenues:					
Other Income & Deductions	<u>6,883</u>	<u>6,150</u>	<u>2,603</u>	<u>800</u>	<u>4,475</u>
Total Net Electric Revenues	<u>109,086</u>	<u>91,415</u>	<u>100,567</u>	<u>109,824</u>	<u>107,870</u>
Gas Operating Revenues					
Total Gas Operating Revenues	26,763	27,038	27,032	31,084	31,479
Gas Operating Expenses	<u>19,193</u>	<u>17,614</u>	<u>19,001</u>	<u>22,102</u>	<u>20,870</u>
Net Gas Revenues	7,750	9,424	8,031	8,982	10,609
Non-Operating Revenues	<u>273</u>	<u>248</u>	<u>141</u>	<u>42</u>	<u>245</u>
Total Net Gas Revenues	<u>8,023</u>	<u>9,672</u>	<u>8,172</u>	<u>9,024</u>	<u>10,854</u>
Total Available for Debt Service	<u>\$ 117,109</u>	<u>\$ 101,087</u>	<u>\$ 108,739</u>	<u>\$ 118,848</u>	<u>\$ 118,724</u>
Existing Debt Service	\$ 47,887	\$ 48,245	\$ 45,275	\$ 45,078	\$ 44,584
Coverage	2.45x	2.10x	2.41x	2.64x	2.66x

**ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED DEBT SERVICE**

Bond Year						
Ending		\$59,790,000	\$80,195,000	\$104,975,000	\$147,295,000	\$122,280,000
October 1	Total	Series 2023	Series 2020	Series 2018	Series 2017	Series 2010B
2024	\$ 44,584,076	\$ 7,881,183	\$ 14,794,500	\$ 6,310,500	\$ 8,299,000	\$ 7,298,893
2025	44,940,394	7,883,751	12,279,500	6,389,750	11,088,500	7,298,893
2026	44,935,364	7,876,471	11,630,000	6,461,500	11,668,500	7,298,893
2027	44,933,875	7,884,482	11,617,500	6,475,750	11,657,250	7,298,893
2028	44,933,873	7,877,230	11,560,500	6,490,000	11,707,250	7,298,893
2029	48,442,635	7,879,992	-	14,794,000	17,539,750	8,228,893
2030	49,368,484	7,877,352	-	15,478,000	16,914,750	9,098,382
2031	44,748,718	7,884,311	-	11,512,000	16,289,750	9,062,657
2032	37,298,158	5,025,453	-	7,350,500	16,664,750	8,257,455
2033	36,869,939	-	-	11,656,750	16,989,750	8,223,439
2034	31,478,536	-	-	6,511,750	16,764,750	8,202,036
2035	31,463,850	-	-	14,756,750	8,534,750	8,172,350
2036	30,522,429	-	-	7,069,000	7,638,750	15,814,679
2037	28,628,653	-	-	6,939,000	6,063,750	15,625,903
2038	37,582,438	-	-	1,916,500	-	35,665,938
2039	36,901,809	-	-	1,865,750	-	35,036,059
2040	36,281,642	-	-	1,900,000	-	34,381,642
2041	8,015,000	-	-	8,015,000	-	-
2042	8,011,500	-	-	8,011,500	-	-
TOTALS	<u>\$ 689,941,371</u>	<u>\$ 68,070,223</u>	<u>\$ 61,882,000</u>	<u>\$ 149,904,000</u>	<u>\$ 177,821,250</u>	<u>\$ 232,263,898</u>

**ENERGY SYSTEM
CITY OF TALLAHASSEE, FLORIDA
ALL BOND ISSUES
PRINCIPAL OUTSTANDING**

Bond Year Ending October 1	Total	\$59,790,000 Series 2023	\$80,195,000 Series 2020	\$104,975,000 Series 2018	\$147,295,000 Series 2017	\$122,280,000 Series 2010B
2024	\$ 21,750,000	6,225,000	\$ 12,100,000	\$ 1,415,000	\$ 2,010,000	\$ -
2025	23,055,000	6,400,000	10,190,000	1,565,000	4,900,000	-
2026	24,060,000	6,570,000	10,050,000	1,715,000	5,725,000	-
2027	25,115,000	6,760,000	10,540,000	1,815,000	6,000,000	-
2028	26,220,000	6,940,000	11,010,000	1,920,000	6,350,000	-
2029	30,885,000	7,135,000	-	10,320,000	12,500,000	930,000
2030	33,205,000	7,330,000	-	11,520,000	12,500,000	1,855,000
2031	30,100,000	7,540,000	-	8,130,000	12,500,000	1,930,000
2032	24,005,000	4,890,000	-	4,375,000	13,500,000	1,240,000
2033	24,680,000	-	-	8,900,000	14,500,000	1,280,000
2034	20,535,000	-	-	4,200,000	15,000,000	1,335,000
2035	21,560,000	-	-	12,655,000	7,520,000	1,385,000
2036	21,710,000	-	-	5,600,000	7,000,000	9,110,000
2037	20,990,000	-	-	5,750,000	5,775,000	9,465,000
2038	31,085,000	-	-	1,015,000	-	30,070,000
2039	32,250,000	-	-	1,015,000	-	31,235,000
2040	33,545,000	-	-	1,100,000	-	32,445,000
2041	7,270,000	-	-	7,270,000	-	-
2042	<u>7,630,000</u>	<u>-</u>	<u>-</u>	<u>7,630,000</u>	<u>-</u>	<u>-</u>
TOTALS	\$ <u>459,650,000</u>	\$ <u>59,790,000</u>	\$ <u>53,890,000</u>	\$ <u>97,910,000</u>	\$ <u>125,780,000</u>	\$ <u>122,280,000</u>

\$59,790,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bond, Series 2023

Dated: October 1, 2023

Purpose

The Series 2023 Bond was issued in exchange for and in order to refinance the Energy System Refunding Revenue Bond, Series 2022.

The Series 2022 Bond was issued on a taxable basis in a principal amount of \$59,790,000. The Series 2023 Bond was issued at a tax-exempt fixed-rate of interest for nine years.

Security

The Series 2023 Bond is payable solely from and secured by a lien on and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bonds, Series 2020, the Energy System Revenue Bonds, Series 2018, the Energy System Refunding Revenue Bonds, Series 2017 and the Energy System Revenue Bonds, Series 2010B.

Bond Reserve

There are no debt service reserve fund requirements.

Form

The 2023 Series Bond is fully registered and due October 1, 2032. The Series 2023 Bond is evidenced by a physical certificate. The Series 2023 Bond was priced competitively and issued as a private placement, with Truist as the original purchaser. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2024.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: N/A

Fitch: N/A

Standard & Poor's: N/A

Optional Prepayment

The Series 2023 Bond is subject to prepayment at the option of the Issuer, in whole on any business day at the prepayment price set forth in the resolution and with two business days prior written notice to the registered owner.

\$59,790,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BOND, SERIES 2023

Summary of Remaining Debt Service Requirements

Bond Year				
Ending	Interest			
October 1	Rate*	Principal	Interest	Total
2024	2.77%	\$ 6,225,000	\$ 1,656,183	\$ 7,881,183
2025	2.77%	6,400,000	1,483,751	7,883,751
2026	2.77%	6,570,000	1,306,471	7,876,471
2027	2.77%	6,760,000	1,124,482	7,884,482
2028	2.77%	6,940,000	937,230	7,877,230
2029	2.77%	7,135,000	744,992	7,879,992
2030	2.77%	7,330,000	547,352	7,877,352
2031	2.77%	7,540,000	344,311	7,884,311
2032	2.77%	4,890,000	135,453	5,025,453
TOTALS		<u>\$ 59,790,000</u>	<u>\$ 8,280,223</u>	<u>\$ 68,070,223</u>

\$80,195,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2020

Dated: August 6, 2020

Purpose

The Series 2020 Bonds were issued to refund on a current basis the City's outstanding Energy System Refunding Revenue Bonds, Series 2010, the City's outstanding Energy System Refunding Revenue Bonds, Series 2010A, and the City's outstanding Energy System Revenue Bonds, Series 2010C.

The Series 2010 Bonds and the Series 2010A Bonds were issued to refinance outstanding debt obligations issued in 1998. The Series 2010C Bonds were issued to finance the acquisition and construction of certain capital improvements to the City's Energy System as well as to refinance some outstanding Sunshine State Loans.

Security

The Series 2020 Bonds are payable solely from and secured by a lien on and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bond, Series 2023, the Energy System Revenue Bonds, Series 2018, the Energy System Refunding Revenue Bonds, Series 2017, and the Energy System Revenue Bonds, Series 2010B.

Bond Reserve

There are no debt service reserve fund requirements.

Form

The 2020 Series Bonds, all fully registered, due October 1, 2028. The Bonds are book entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2021.

Agents

Registrar: US Bank National Association, Jacksonville, Florida
Paying Agent: US Bank National Association, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA

Optional Redemption

The Series 2020 Bonds are not subject to optional redemption prior to maturity.

\$80,195,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2020

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2024	5.000%	\$ 12,100,000	\$ 2,694,500	\$ 14,794,500
2025	5.000%	10,190,000	2,089,500	12,279,500
2026	5.000%	10,050,000	1,580,000	11,630,000
2027	5.000%	10,540,000	1,077,500	11,617,500
2028	5.000%	<u>11,010,000</u>	<u>550,500</u>	<u>11,560,500</u>
TOTALS		<u>\$ 53,890,000</u>	<u>\$ 7,992,000</u>	<u>\$ 61,882,000</u>

\$104,975,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2018

Dated: February 27, 2018

Purpose

The Series 2018 Bonds, together with certain other available funds, were used to finance the acquisition and construction of a new generating facility, the acquisition and installation of additional fast start gas-fired reciprocating engines as replacement generating capacity at the City's Hopkins Station electric facility, and ancillary improvements.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bond, Series 2023, the Energy System Refunding Revenue Bonds, Series 2020, the Energy System Refunding Revenue Bonds, Series 2017, and the Energy System Revenue Bonds, Series 2010B.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$104,975,000 Serial Bonds, all fully registered, due October 1, 2042. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2018.

Agents

Registrar:	The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida
Paying Agent:	The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida
Bond Council:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's:	Aa3
Standard & Poor's:	AA

Optional Redemption

The Series 2018 Bonds maturing on and prior to October 1, 2024, are not subject to redemption prior to maturity. The Series 2018 Bonds maturing after October 1, 2024 are subject to redemption prior to maturity on October 1, 2024 or on any date thereafter, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest to the redemption date on the principal amount, if any).

\$104,975,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2018

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2024	5.000%	\$ 1,415,000	\$ 4,895,500	\$ 6,310,500
2025	5.000%	1,565,000	4,824,750	6,389,750
2026	5.000%	1,715,000	4,746,500	6,461,500
2027	5.000%	1,815,000	4,660,750	6,475,750
2028	5.000%	1,920,000	4,570,000	6,490,000
2029	5.000%	10,320,000	4,474,000	14,794,000
2030	5.000%	11,520,000	3,958,000	15,478,000
2031	5.000%	8,130,000	3,382,000	11,512,000
2032	5.000%	4,375,000	2,975,500	7,350,500
2033	5.000%	8,900,000	2,756,750	11,656,750
2034	5.000%	4,200,000	2,311,750	6,511,750
2035	5.000%	12,655,000	2,101,750	14,756,750
2036	5.000%	5,600,000	1,469,000	7,069,000
2037	5.000%	5,750,000	1,189,000	6,939,000
2038	5.000%	1,015,000	901,500	1,916,500
2039	5.000%	1,015,000	850,750	1,865,750
2040	5.000%	1,100,000	800,000	1,900,000
2041	5.000%	7,270,000	745,000	8,015,000
2042	5.000%	<u>7,630,000</u>	<u>381,500</u>	<u>8,011,500</u>
TOTALS		<u>\$ 97,910,000</u>	<u>\$ 51,994,000</u>	<u>\$ 149,904,000</u>

\$147,295,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Refunding Revenue Bonds, Series 2017

Dated: July 20, 2017

Purpose

The Series 2017 Bonds were issued to refund on a current basis the City's outstanding Energy System Revenue Bonds, Series 2007.

The Series 2007 Bonds were issued to finance the acquisition and construction of a combined cycle unit for Hopkins Unit No. 2, new transmission facilities, distribution facilities, general plant facilities and certain Gas System facilities.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bond, Series 2023, the Energy System Refunding Revenue Bonds, Series 2020, the Energy System Revenue Bonds, Series 2018, and the Energy System Revenue Bonds, Series 2010B.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$147,295,000 Serial Bonds, all fully registered, due October 1, 2037. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2018.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA

Optional Redemption

The Series 2017 Bonds maturing on and prior to October 1, 2025, are not subject to redemption prior to maturity. The Series 2017 Bonds maturing after October 1, 2025 are subject to redemption prior to maturity on October 1, 2025 or on any date thereafter, at the option of the City, as a whole or in part at any time (by lot if less than all of a maturity) at the redemption price of 100% of the principal amount thereof, without premium, (plus accrued interest to the redemption date on the principal amount, if any).

\$147,295,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REFUNDING REVENUE BONDS, SERIES 2017

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2024	5.000%	\$ 2,010,000	\$ 6,289,000	\$ 8,299,000
2025	5.000%	4,900,000	6,188,500	11,088,500
2026	5.000%	5,725,000	5,943,500	11,668,500
2027	5.000%	6,000,000	5,657,250	11,657,250
2028	5.000%	6,350,000	5,357,250	11,707,250
2029	5.000%	12,500,000	5,039,750	17,539,750
2030	5.000%	12,500,000	4,414,750	16,914,750
2031	5.000%	12,500,000	3,789,750	16,289,750
2032	5.000%	13,500,000	3,164,750	16,664,750
2033	5.000%	14,500,000	2,489,750	16,989,750
2034	5.000%	15,000,000	1,764,750	16,764,750
2035	5.000%	7,520,000	1,014,750	8,534,750
2036	5.000%	7,000,000	638,750	7,638,750
2037	5.000%	<u>5,775,000</u>	<u>288,750</u>	<u>6,063,750</u>
TOTALS		<u>\$ 125,780,000</u>	<u>\$ 52,041,250</u>	<u>\$ 177,821,250</u>

\$122,280,000
CITY OF TALLAHASSEE, FLORIDA
Energy System Revenue Bonds, Series 2010B
(Federally Taxable Build America Bonds)

Dated: November 22, 2010

Purpose

The Series 2010B Bonds were issued to finance the acquisition and construction of improvements to the distribution, production plant, transmission line, substation and other modernization projects including telecommunications/fiber optics, bulk power feeders, new substations or modifications, as well as transmission line reconductor and expansion.

Security

The Bonds are payable solely from and secured by a lien and pledge of the Net Revenues of the City's Energy System on a parity with the Energy System Refunding Revenue Bond, Series 2023, the Energy System Refunding Revenue Bonds, Series 2020, the Energy System Revenue Bonds, Series 2018, and the Energy System Refunding Revenue Bonds, Series 2017.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$122,280,000 Term Bonds, all fully registered, due October 1, 2040. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semiannually on each April 1 and October 1, commencing April 1, 2011.

Agents

Registrar: US Bank, NA, Jacksonville, Florida
Paying Agent: US Bank, NA, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa3
Standard & Poor's: AA
Fitch: AA-

Optional Redemption

The Series 2010B Bonds are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds, or portions thereof, to be redeemed or (ii) the Discounted Value thereof, except for the purposes of calculating such Discounted Value, the Discounted Yield shall be equal to the Blended Treasury Yield plus 0.3%, plus unpaid accrued interest thereon to the redemption date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by City.

“Discounted Value” means, with respect to the Series 2010B Bonds of each maturity thereof to be redeemed, the sum of the amounts obtained by discounting all remaining scheduled payments of principal and interest (exclusive of interest accrued to the date of redemption) on such Series 2010B Bonds from their respective

scheduled payment dates to the applicable redemption date, at a yield (computed on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months) equal to the applicable Discount Yield.

“Blended Treasury Yield” means, with respect to the Series 2010B Bonds of each maturity to be redeemed, the yield computed by the linear interpolation of two Market Treasury Yields such that the theoretical maturity that corresponds to the interpolated Market Treasury of such maturity to be redeemed. The first Market Treasury Yield will be based on an actively traded U.S. Treasury security or U.S. Treasury index whose maturity is closest to but no earlier than the date corresponding to the remaining average life of the Series 2010B Bonds of such maturity to be redeemed. Notwithstanding the foregoing, if the date that corresponds to the remaining average life of the Series 2010B Bonds, of a particular maturity, to be redeemed is later than the latest maturity of any actively traded U.S. Treasury security or U.S. Treasury index having such latest maturity.

“Market Treasury Yield” means, with respect to the Series 2010B Bonds, that yield, assuming semiannual compounding based upon a 360-day year consisting of twelve 30-day months, which is equal to: (i) the yield for the applicable maturity of an actively traded U.S. Treasury security, reported, as of 11:00 a.m., New York City time, on the Valuation Date on the display designated as “Page PX1” of the Bloomberg Financial Markets Services Screen (or, if not available, any other nationally recognized trading screen reporting on-line intraday trading in U.S. Treasury securities); or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m., New York City time, on the Valuation date or (iii) if the yields described in (i) and (ii) above are not reported as of such time or the yields reported as of such time are not ascertainable, the yield for the applicable maturity of an actively traded U.S. Treasury security shall be based upon the average of yield quotations for such security (after excluding the highest and lowest quotations) as of 3:30 p.m. New York City time, on the Valuation Date received from no less than five primary dealers in U.S. government securities selected by the City.

Each yield quotation for each actively traded U.S. Treasury security required in (i) and (iii) above shall be determined using the average of the bid and ask prices for that security.

“Valuation Date” means, with respect to the Series 2010B Bonds to be redeemed, the Business Day preceding the date on which notice of such redemption is given.

Extraordinary Optional Redemption. The Series 2010B Bonds are subject to redemption prior to their stated maturities, at the option of City, whole or in part on any date following the occurrence of an Extraordinary Event, at a redemption price equal to the greater of (i) 100% of the principal amount of the Series 2010B Bonds, or portions thereof, to be redeemed or (ii) the Discounted Value thereof, except that for purposes of calculating such Discounted Value, the Discount Yield shall be equal to the Blended Treasury Yield plus 1.00%, plus unpaid accrued interest thereon to the redemption date. All calculations and determinations referred to in this subsection will be made by a financial advisor selected by City.

“Extraordinary Event” means that a material adverse change has occurred to Section 54AA or Section 6431 of the Code (as such Sections were added by Section 1531 of the American Recovery and Reinvestment Act of 2009 pertaining to “Build America Bonds”) or there is any guidance published by the IRS or the U.S. Treasury with respect to such Sections or any other determination by the IRS or the U.S. Treasury, which qualify to receive the 35% Direct Subsidy Payments from the U.S. Treasury, pursuant to which the City’s 35% Direct Subsidy Payments from the U.S. Treasury is reduced or eliminated.

Mandatory Redemption

The Series 2010B Bonds are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2029, and thereafter, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>October 1</u>	<u>Amount</u>
2029	\$930,000
2030	\$1,855,000
2031	\$1,930,000
2032	\$1,240,000
2033	\$1,280,000
2034	\$1,335,000
2035	\$1,385,000
2036	\$9,110,000
2037	\$9,465,000
2038	\$30,070,000
2039	\$31,235,000
2040	\$32,445,000

\$122,280,000
CITY OF TALLAHASSEE, FLORIDA
ENERGY SYSTEM REVENUE BONDS, SERIES 2010B

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2024	5.969%	\$ -	\$ 7,298,893	\$ 7,298,893
2025	5.969%	-	7,298,893	7,298,893
2026	5.969%	-	7,298,893	7,298,893
2027	5.969%	-	7,298,893	7,298,893
2028	5.969%	-	7,298,893	7,298,893
2029	5.969%	930,000	7,298,893	8,228,893
2030	5.969%	1,855,000	7,243,382	9,098,382
2031	5.969%	1,930,000	7,132,657	9,062,657
2032	5.969%	1,240,000	7,017,455	8,257,455
2033	5.969%	1,280,000	6,943,439	8,223,439
2034	5.969%	1,335,000	6,867,036	8,202,036
2035	5.969%	1,385,000	6,787,350	8,172,350
2036	5.969%	9,110,000	6,704,679	15,814,679
2037	5.969%	9,465,000	6,160,903	15,625,903
2038	5.969%	30,070,000	5,595,938	35,665,938
2039	5.969%	31,235,000	3,801,059	35,036,059
2040	5.969%	<u>32,445,000</u>	<u>1,936,642</u>	<u>34,381,642</u>
TOTALS		<u>\$ 122,280,000</u>	<u>\$ 109,983,898</u>	<u>\$ 232,263,898</u>

\$20,735,220
CITY OF TALLAHASSEE, FLORIDA
Master Equipment Lease Purchase Agreement (AMI Loans)
Energy System

Dated: 2007 and 2009

Purpose

The Master Lease Purchase Agreement was utilized to fund the acquisition of Smart Energy Metering and Management Systems, consisting of meters and communication devices, to create a network of approximately 220,000 electric, gas and water meters.

Security

The rental payments are to be made only from lessee's legally available revenues appropriated on an annual basis (covenant to budget and appropriate).

Purchase Option

Upon payment in full of all rental payments then due and all other amounts then owing under the lease, and the payment of \$1.00 to lessor.

Lessor: Banc of America

\$20,735,220
CITY OF TALLAHASSEE, FLORIDA – ENERGY
MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT – 1
BANC OF AMERICA PUBLIC CAPITAL CORPORATION

Summary of Remaining Lease Payments

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1	Rate			
2024	3.9459%	<u>\$ 1,899,726</u>	<u>\$ 56,404</u>	<u>\$ 1,956,130</u>
TOTALS		<u>\$ 1,899,726</u>	<u>\$ 56,404</u>	<u>\$ 1,956,130</u>

CONSOLIDATED UTILITY SYSTEMS

The Consolidated Utility Systems (collectively, the "Systems") refers to two of the City's utilities and one of its special revenue funds, grouped together primarily for the purpose of debt financing. The Systems are defined herein as the Utility System (the Water System and the Sewer System) and the Stormwater Drainage System. Any reference herein to Sewer System shall equally include Wastewater System, and vice versa, unless the context otherwise requires. In April 2008, the City consolidated its Water Utility Department (Water and Sewer) and Stormwater Management Division to create the Underground Utilities Department. In addition, as described above, the City further consolidated the Underground Utilities Department with certain aspects of its Public Works Department to create Underground Utilities and Public Infrastructure.

While the City's Water System and Wastewater System are two separate utilities for accounting and rate setting purposes, they are operationally similar and under the direction of the same General Manager. Revenue requirements, rate-setting, billing, and collection are determined and carried out in a similar manner for both systems, consistent with the methods of other publicly-owned utilities.

The City has exclusive authority to provide water and wastewater services to customers within the incorporated boundaries of Tallahassee. The City is also a franchise-provider of water and wastewater services to areas of the County not served by other providers. Limited water service is additionally provided to Wakulla County. The City's Stormwater Drainage System covers the City limits.

The City has established Water, Wastewater, and Treatment Master Plans, which are updated every five years and provide 20-year frameworks for meeting the community's needs. As the products of comprehensive examination, these planning tools present analyses of supply, demand, system performance, reliability, resilience, and sustainability. Based on these analyses, the master plans recommend specific projects for inclusion in the Capital Improvements Program (CIP). The CIP is revised annually and guides the City's investments in public infrastructure over a five-year time horizon. The City's annual Capital Budget is based on the first year of needs in the CIP and funds major improvements to Water, Wastewater, and Stormwater Management System Facilities. The most recent master plans for the Utility System were adopted by the City Commission in September 2021. See "Capital Improvement Plan" herein for Water and Wastewater System projects for Fiscal Years 2024-2028.

Other Service Providers

Talquin Electric Cooperative ("Talquin"), a member-owned utility, has provided limited water and sanitary sewer services to specific developments in the unincorporated areas of the County since 1963. According to Florida Department of Environmental Protection ("FDEP") records, Talquin owns ten water systems within the County, with total design capacity of 13.4 million gallons per day (MGD). Talquin also owns four sewer systems in the County and is permitted for approximately 1.8 MGD of wastewater. A local drilling company owns six water systems with design capacity of 1.03 MGD. An additional seven other minor sanitary sewer systems are in operation, with a combined total capacity of 1.1 MGD.

Water Production and Reclamation Division

The City of Tallahassee Underground Utilities and Public Infrastructure Department operates and maintains its own water-quality testing laboratory (the "Laboratory") in compliance with Section 403.850, Florida Statutes, and the "Florida Safe Drinking Water Act". The Laboratory is certified under the National Environmental Laboratory Accreditation Program administered through the Florida Department of Health's Environmental Certification Program, Chapter 64E, and Florida Administrative Code ("FAC"). The Laboratory performs compliance environmental testing for the City's public drinking water facilities and the Thomas P. Smith Water Reclamation Facility, as well as contracted laboratory services for other City departments, neighboring communities, and other community-related laboratory services. The Laboratory has

a high level of sophistication, providing for the testing of complex organic, inorganic, and microbiological organisms. To better serve the community and maintain compliance with regulations and standards, the City completed construction and relocated its operations to a new laboratory in August 2022 featuring state-of-the-art equipment, processes, and testing methods.

The Water Production and Reclamation Division ("WPRD") administers: 1) the Cross Connection Control Program, mandated by FDEP, which identifies and prevents potential contamination sources to the Public Water System, 2) the Aquifer Protection Program, which is administered under a joint agreement between the County and the City and is designed to prevent contamination of the area's drinking water source, and 3) the Industrial Pretreatment Program, which monitors and regulates the introduction of certain substances into the Wastewater System to protect the wastewater treatment facility.

The Water Production and Reclamation Division supports the City's Utility System with a Supervisory Control and Data Acquisition System ("SCADA"). SCADA remotely monitors and controls water production wells and elevated storage tanks, maintaining optimal pressure and availability of potable water. The SCADA system also monitors the wastewater pumping stations and controls operations in some of the larger stations. In a lesser role, the WPRD assists and provides similar services to other City departments and assets, such as the regional stormwater facilities, assisting with operational monitoring and control to prevent potential discharges not in compliance with the National Pollution Discharge Elimination System ("NPDES"), and the natural gas system, monitoring key facilities such as gas regulating stations. SCADA also serves as the dispatch center for emergency activities related to the repair and maintenance of the water, wastewater, and natural gas systems.

Rate Setting

The City Commission is vested with the sole authority to establish water, wastewater, and stormwater rates for the facilities and other services provided by the Systems, subject to Section 180.191 of the Florida Statutes. Additionally, this provision establishes a limitation on the differential that can be charged to customers outside of the municipal boundaries.

Pursuant to the City's General Bond Resolution, rates and charges for the Utility System will not be changed except upon the recommendation of a Qualified Independent Consultant. The City retains several vendors to assist in the preparation of rate studies and for various other utility matters. The City does not retain a Qualified Independent Consultant to assist in setting rates for the Stormwater Management System. The Commission establishes stormwater drainage fees based on an amount deemed sufficient to cover the Stormwater Management System's projected operational, maintenance, and capital improvement requirements.

The City's financing policy is to fund general government services from various fees and charges, entitlements from other governmental agencies, taxes, and transfers from utility revenues. The City has established a targeted transfer from its various utilities to help fund these general government services. These transfer requirements are a factor in setting the City's Utility System rates and charges. There is no transfer requirement with respect to the Stormwater Management System, although Stormwater transfers to the general fund have been previously made. See "Utility System Transfers to General Fund," below.

To ensure that rates and charges are sufficient to meet the rate covenant as set forth in the Resolution and to provide adequate revenues to fund the Utility System's Five-Year Capital Improvement Program (the "Five-Year Capital Improvement Program") and other system requirements, the City has established a process of reviewing the water and wastewater rates and charges for the Utility System. The Commission approves rates through adoption of a rate ordinance after advertising and conducting public hearings. Historically, the ordinance implementing the findings of the rate study and the public hearing process has provided, to the extent needed, changes in the rates for the first, second, and third year of the study period.

Water and Wastewater Rates

In May 2005, the County and the City executed a Water and Sewer Franchise Agreement (the "Franchise Agreement") that grants the City the exclusive water and/or sewer franchise for all remaining unfranchised areas in the unincorporated area of the County. The Franchise Agreement includes criteria that requires undeveloped property to connect to the City's Water System and Wastewater System if available within specified distances.

In March 2006, the City approved a change to its ordinance that provides for water and wastewater rates to be automatically adjusted annually on October 1, by an amount equal to the positive percentage change in the Consumer Price Index ("CPI").

Early in 2021, the City engaged the services of a third-party engineering firm to conduct an in-depth analysis of factors impacting the business model of the Utility System and to assess the adequacy of existing rates to meet current and future capital project funding requirements and to maintain adequate debt service coverage.

The analysis determined that two primary drivers created a need for rate increases, which were necessary to fund the repair and replacement of aging infrastructure. Those drivers are: (i) the need for major capital expenditures in accordance with the City's Capital Improvement Program (see "Capital Improvement Program," below), and (ii) declining water sales and water usage per customer in recent years due to the success of conservation measures implemented several years ago.

In short, the rate study recommended, and the City implemented, an increase in water rates of 4.6% in January 2022 in addition to a 2.6% CPI increase in October 2021. No rate increases were recommended for Fiscal Years 2022 or 2023; however, CPI adjustments of 8.5% and 5.0% became effective on October 1, 2022 and October 1, 2023, respectively.

The study also recommended, and the Commission approved, a change in the methodology used to bill for residential wastewater treatment. Beginning in April 2023, the maximum number of gallons billed is based on the highest level of consumption during the winter months of December through March as opposed to the second highest level of consumption as previously billed. This change is expected to generate sufficient additional revenue to offset the need for an across-the-board rate increase other than annual CPI adjustments. Commercial wastewater treatment is not subject to a maximum number of gallons billed, and will therefore continue to be based on actual usage each month.

The increases referenced above are intended to fully satisfy transfers to the Renewal, Replacement and Improvement Fund at internal policy levels and to minimize borrowing, yet remain competitive with rates charged by other water and advanced wastewater treatment systems across the State.

Financial Update

For the Water System, revenues increased from \$43.8 million in Fiscal Year 2022 to \$48.1 million in Fiscal Year 2023 and are attributed to an increase in retail water sales, up 10.04% over the prior year. Operating revenues exceeded budget by 5%, and expenditures within 1% of budget targets resulted in a fiscal year surplus of \$2,592,495, transferred first to the Operating Reserve for \$467,725 and the remaining \$2.1 million to Water System's RR&I fund. For the Wastewater System, revenues increased from \$78.5 million in Fiscal Year 2022 to \$86.3 million in Fiscal Year 2023 and are attributed to an increase in residential and commercial sales, up 9.87% over the prior year. Operating revenues and expenditures were approximately 5% over budget targets, resulting in a fiscal year surplus of \$2,692 transferred first to replenish the Operating Reserve. The financial performance of both utilities reflects a continued recovery from the impacts of the COVID-19 pandemic and the expansion of a healthy local economy. Both utilities maintained their transfers to the General Fund and to their respective Renewal, Replacement, and Improvement Funds in accordance with the City's financing policy and budget.

Water and Wastewater System Development Charges

The City has System Development Charges in place to fund a portion of the capital costs associated with growth of the Utility System. The revenues collected are reserved for the exclusive use of the Water System and Wastewater System and are used solely to provide for the capital costs directly related to the extension and expansion of the respective systems. From 2006 - 2021, the System Development Charges for the Water System (the "Water System Development Charges") remained at \$630 per equivalent residential unit ("ERU") and \$3,000 for the Sewer System (the "Sewer System Development Charges") within the incorporated area. Each of these were included as part of the 2021 rate study and recommendations were made and adopted to increase both the Water and Sewer System Development charges. Effective January 1, 2022, the new Water System Development Charge is \$1,000 per ERU and the Sewer System Development Charge is \$3,100 per ERU. As before, these System Development Charges are increased by 50% for customers located outside the City limits in Leon and Wakulla counties. The total Water System Development Charge and Sewer System Development Charge is computed by multiplying the number of ERUs in the development by the appropriate charge shown in the table below.

System Charges by Equivalent Residential Units:

Nominal Meter Size (inches)	Residential Equivalents
5/8	1.0
1	2.5
1½	5.0
2	8.0
3	16.0
4	25.0
6	50.0
8	80.0

Rebates to Developers

The City provides for the rebate of on-site costs (costs incurred within the boundaries of a development project) to developers in the case of certain approved single-family residential developments within the City where water and wastewater lines are financed and installed by the developer to the City's specifications. This rebate policy is designed to encourage developers to install water and wastewater lines at the initial stage of a development, thereby providing additional customers for the City, and as a means of preventing the much higher future cost associated with retrofitting existing developments with either water or wastewater mains. It also encourages annexation into the City. The on-site rebate must be approved in advance by the City. The maximum limit is \$1,200 per ERU for wastewater lines and \$600 per ERU for water lines. Further, the rebate is paid to the developer only as the permanent customers are connected to the Utility System, and rebate opportunities expire after 20 years even if the developer has not received full reimbursement. The rebates are not applicable to commercial and multi-family residential developments. Ten percent of the actual reimbursement amounts as calculated for each ERU connection is paid to the City's Affordable Housing Trust Fund.

Development projects planned for inside the City limits that require off-site water and/or wastewater line extensions to serve the development are evaluated based on economic feasibility as per City of Tallahassee Code of Ordinances (Section 21-90 and 21-91). If it is determined that the off-site water and/or wastewater extension is economically feasible, the off-site extensions will be funded by the City in accordance with the Five-Year Capital Improvement Program. Should a developer desire off-site line extensions that are

not within the current Five-Year Capital Improvement Program period, the developer may negotiate a written agreement with the City wherein the developer will fund the extension and be reimbursed from the City as funds become available.

Development projects planned for outside the City limits that require off-site water and/or wastewater line extensions to serve the development are evaluated and funded as above and are eligible for similar reimbursements. However, reimbursements for off-site extensions outside the City limits will be made only for the length of the extension between the existing water and/or wastewater lines and the point where water and/or wastewater lines would be considered available to the developer as determined in accordance with the Franchise Agreement.

The City has an ordinance that addresses the treatment of "unscheduled" water and wastewater projects that are outside the City limits in different ways, such as feasibility studies of possible implementation of special water and sewer districts, which may or may not involve developer rebates, depending on the nature and scope of the projects.

WATER SYSTEM

General

The City owns, operates, and maintains an integrated network of water production, treatment, and distribution infrastructure. Collectively referred to as the Water System, it is comprised of 27 water supply wells, 8 elevated storage tanks, 1,245 miles of water mains, and 7,258 fire hydrants. With few exceptions, it serves all developed parcels within the legal boundaries of Tallahassee and the contiguous urban service area of unincorporated Leon County. The City also provides water service to portions of Wakulla County, and water in bulk to the City of St. Marks. In 2023, the Water System served an estimated average of 85,485 metered service points.

The Water System's wells have an aggregate total production capacity of approximately 79.4 million gallons per day ("MGD"). Twenty-one of the 27 wells are equipped with standby generators or auxiliary engines, capable of providing alternative power should the supply from the City's electric system be interrupted. The wells vary in depth from 190 to 483 feet and extend into the Floridan Aquifer, which is a series of consolidated water-bearing strata that underlies the state of Florida and portions of Georgia, Alabama, and South Carolina. The Floridan Aquifer is one of the most abundant groundwater sources in the world. The City's elevated storage tanks have a combined capacity of 5.325 million gallons that serves to augment the network of wells during peak demand periods and to maintain the City's favorable Class III fire rating by the Florida Insurance Services Office.

Consumptive Use Permit (CUP)

Ground water from the Upper Floridan Aquifer ("UFA") is the sole source of potable water supply for Tallahassee and the surrounding area. The UFA offers an abundant source of drinking water for the community. The City's public water supply is the single largest withdrawal in the region, with a total of approximately 9.2 billion gallons pumped in 2023. A significant portion of this water is returned to the aquifer as treated wastewater effluent applied through spray irrigation at the City's Southeast Farm.

The withdrawal of ground water for public supply is regulated by the Northwest Florida Water Management District ("NFWFMD") via the Consumptive Use Permitting program. The City continues to operate in full compliance with the permit issued by the NFWFMD in 2016. The permit duration is 20 years and is scheduled to expire on February 1, 2036. The permit allows for the annual average daily withdrawal of groundwater of 33.7 MGD. In 2023, the City's annual average daily withdrawal was 24.96 MGD, down 1% from 25.21 MGD in 2022. The most recent three-year average is 25.43 MGD.

Current Planning and Major Capital Projects

The Water Master Plan Update ("WMPU") has been completed and was adopted by the City Commission in September 2021. Based on the WMPU evaluation of the City's downtown water system, approximately \$10 million will be needed through the year 2040 for upgrades, rehabilitation, and replacement of aging pipes and water valves.

In 2023, following recommendations presented in the Water Master Plan, notable projects were completed that replaced aging infrastructure to improve system reliability, increase capacity, and improve fire protection, specifically within the City's downtown infrastructure area. Notable projects include the Belle Vue Way Water and Sewer Improvements project, Lake Ella and Desoto Water and Sewer Improvements project, Isabella Drive and Munson Boulevard Water Improvements, and Huntington Estates Water Improvements. In addition, upgrades made to the Water System included the exchange of granular activated carbon at Well 13, the repair/rehabilitation of pump motors at Wells 5, 16, 26 and 32, rehabilitation of the booster pump, chlorine feed, scale, and leak detector at Well 21, installation of a new check valve at Well 5, repairs to emergency generators at Wells 6 and 27, and exterior cleaning of Tanks 4, 7, and the GAC vessels at Well 13.

Advanced Metering Infrastructure (AMI)

In 2009, the City deployed the nation's first Advanced Metering Infrastructure (AMI) system, supporting the electric, gas, and water utilities. AMI is an integrated network of smart meters, communication technologies, and data management systems. Implementation of the AMI program involved outfitting existing meters with a radio module that allows for two-way communication and remote automated reading of gas, water, and electric metered services.

The AMI program eliminates the costs and liabilities associated with manual meter reads and provides detailed consumption data for all three metered services. The AMI program enhances customer service by allowing a representative to remotely poll a water meter at a specific location and review recent and past consumption history to verify a reading. The system also provides the technology that supports the City's proactive water leak detection program.

WASTEWATER SYSTEM

General

The City owns, operates, and maintains a Wastewater Collection and Reclamation System (the "Wastewater System" or "Sewer System") that serves the City and portions of the County. The Wastewater System consists of one treatment facility having a treatment design capacity of 26.5 MGD, a 4,000-acre spray field, a 1.2 MGD public access reuse facility, approximately 940 miles of gravity mains, 112 pumping stations, and approximately 143 miles of force (pressurized) main. In 2023, the Wastewater System served an estimated average of 71,206 service points.

All residential units and buildings within the City limits and on property within 200 feet of any completed wastewater line, or any future wastewater line when constructed, are required to be connected to the Wastewater System. City ordinance further requires physical connection to the Wastewater System when evidence of septic tank failure occurs. Connection to the Wastewater System is also required for new developments within the City limits with four or more residential units, regardless of its distance to an existing wastewater main. All customers of the Wastewater System are required to connect to the City's Water System if it is available or provide metering of their water source if not connected to the Water System.

Treatment Facility

The City operates one wastewater treatment facility: the Thomas P. Smith Water Reclamation Facility ("TPS Facility"). Permitting of this facility is carried out by the Florida Department of Environmental Protection ("FDEP"). The operational permits (the "FDEP Operating Permits") for the TPS Facility set forth certain general and specific conditions, effluent limitations, and disposal requirements. The current ten-year permit extends through August 2028 and regulates sampling, monitoring, and reuse water restrictions, including limits for permitted flow, pH, chlorine residual, total suspended solids ("TSS"), Biochemical Oxygen Demand ("BOD"), Total Nitrogen, Phosphorus, and fecal coliform. The FDEP Operating Permits also specify requirements for the treatment and disposal of biosolids generated by the Wastewater System. Ultimately, the United States Environmental Protection Agency ("EPA") maintains regulatory authority over biosolids in the State of Florida.

The TPS Facility is classified as an Advanced Wastewater Treatment Facility, with a total capacity of 26.5 MGD. The City has invested more than \$227 million in improvements to the facility to meet a FDEP permit requirement to reduce nutrients load. In addition, a deep bed filtration system was installed with an updated chlorine contact basin to treat effluent to public access reuse standards. The TPS Facility also has sludge thickening, digestion, dewatering, and drying facilities to produce Class AA biosolids that are sold to wholesale distributors or large commercial customers for use as fertilizers and soil conditioners. At this point, 100% of materials leaving the facility are for beneficial reuse.

Previously, the City also operated the Lake Bradford Road Wastewater Treatment Plant ("LBR Plant"). The plant was demolished, and a portion of the site was recently used for a major roadway extension. The remainder of the site is under consideration for use by other City departments. Any future wastewater capacity needs will be constructed at the TPS Facility. It is anticipated that capacity at the TPS Facility will not be exceeded until after 2040. The TPS Facility permit also includes the Southwest Spray Field (located on the TPS site) and the Southeast Farm ("SEF") located on Tram Road. The SEF is permitted by FDEP as a slow-rate restricted public-access land application irrigation system. Most of the reclaimed water from the TPS Facility is used for the irrigation of non-edible crops and select vegetation growing on 16 center-pivot farm plots at SEF. This practice of beneficial reuse irrigation at the SEF results in the reduction or elimination of impacts to the area's natural resources, as compared to other methods of effluent disposal. The City contracts with a local farmer to manage the complex operation of the farm and to meet the permit requirements and compliance obligations.

Master Wastewater Plan and Master Wastewater Treatment Plan

The 2042 Master Wastewater Plan includes a Capital Improvement Program that focuses on capacity and operational improvements. The planning period for these improvements is 2023 to 2042, and the estimated cost is \$71 million. It is anticipated that funding for these improvements will be generated from revenues based on rates proposed as the result of periodic comprehensive rate analyses (see "Wastewater Rates"). The proposed phasing of these improvements will allow funding to be available for other operational and maintenance needs of the Systems. The 20-year Master Wastewater Plan was reviewed and approved by both the City and the Leon County Commissions in early 2022.

The Master Wastewater Treatment Plan was finalized in early 2022. It includes a Capital Improvement Plan (CIP) that focuses on improvements to capacity and efficiency as well as the continued operation of wastewater treatment facilities. Capital costs for recommended improvements are estimated at \$172 million over the first five years of the 20-year planning period. A comprehensive schedule for these improvements is in development.

Wastewater System Recent Capital Improvement Projects

During 2023, the City continued its ongoing evaluation of the Wastewater System using a closed-circuit television ("CCTV") inspection process designed to identify piping infrastructure requiring rehabilitation or replacement, as the System has suffered periodic sewage spills due to older piping infrastructure (although such has not been beyond what is to be expected for a system its size). These repairs and/or projects were implemented as part of the capital budget. The City also continued upgrades and replacements of wastewater pumping stations and replaced hundreds of wastewater services in advance of roadway resurfacing projects. The notable projects include the Belle Vue Way Water and Wastewater Improvements project, Lake Ella and Desoto Water and Wastewater Improvements project, and the Capital Circle Southeast Force Main rehabilitation project.

Projects still to be completed at the Wastewater Treatment Facility include the replacement of biogas blowers, installation of centrate equalization basin, installation of a new septage receiving station, refurbishment of Digester #3, influent piping network improvements, installation of new aeration blowers and the installation of additional screening and de-gritting equipment. These projects will provide better nutrient management and increased service levels to septage haulers in the surrounding community.

Also on the list for future completion are major subsurface coatings at the headworks of the TPS Facility that will increase reliability during high flow events and will extend the useful life of the structure, as well as the replacement of the liner at Pond A.

Southside Triangle Water and Wastewater Improvement Project

In 2023, the City proposed to extend water and wastewater utilities to unserved properties within the area bound by Woodville Highway, Crawfordville Highway and Capital Circle Southeast (the "Southside Triangle"). The project area lies within the Wakulla Spring Basin Management Action Plan (BMAP) Priority Focus Area (PFA) and the Leon County Primary Springs Protection Zone (PSPZ). Conversion of septic to wastewater in this area will result in a reduction of nitrogen to groundwater and subsequently to Wakulla Springs, furthering the City's commitment to achieving the goals and objectives of the BMAP.

There are approximately 203 properties within the Southside Triangle that currently do not have wastewater service available, and approximately 156 properties that do not have existing City water infrastructure available. To serve this area, the City is planning to install approximately 19,000 linear feet of gravity and force main wastewater piping and pump stations and approximately 16,000 linear feet of water mains. Once completed, the new infrastructure will result in a reduction of nitrogen within the Wakulla Springs Basin, provide the needed infrastructure that will improve the quality of life for Southside residents, provide greater fire protection within the community, and provide a catalyst for additional development within the southern limits of the City's urban service area.

The preliminary project cost estimate is approximately \$2 million for design and \$18 million for water and wastewater construction and contingencies. This estimate is based on best available information, and the cost will be refined as the project moves through the planning and design process. The City selected a consultant in June 2023 and executed a contract for design services in October 2023. Design is anticipated to take 18 to 30 months, depending on whether right-of-way acquisition is required. The project will be designed in phases, and construction of the first segments of the project will begin upon design completion of those phases. The City has received \$11.7 million in grant funding from FDEP for the project.

City/County Water and Wastewater Agreement

Concurrent with the revised Franchise Agreement referenced above, the County and City executed a separate agreement to provide City wastewater service to Units I and II of the Killearn Lakes Plantation Subdivision ("Killearn Lakes") in the northeast section of the County. Killearn Lakes is a forty-year-old subdivision consisting of approximately 1,376 lots, many with septic tank systems that failed due to unsuitable drainage and soil conditions. The County paid \$5 million for construction of a low-pressure wastewater collection system that was completed and accepted by the City for operation and maintenance as part of the Wastewater System in April 2007. Each lot within Killearn Lakes will connect to the low-pressure wastewater collection system via a privately-owned grinder pump and pressurized service line. The customers will connect voluntarily, or involuntarily if their septic system fails, and will pay applicable wastewater connection fees and system charges. The City also offers its existing low-interest loan program to finance the connection costs. Since the City does not provide water service to the Killearn Lakes subdivision, it cannot meter water consumption that determines wastewater charges. Instead, the volumetric portion of residential wastewater billing for Killearn Lakes is calculated using the average annual sewer volume for single family residential customers in Leon County billed in the prior calendar year, subject to maximum use limits. Approximately 46% of the homes in Units I and II are now connected to the System.

Environmental Management and Safety System

Underground Utilities and Public Infrastructure has been certified to the International Organization for Standardization ("ISO") for the City's Environmental Management System ("EMS") since August 2007. This certification was issued by a global certifying body known as NSF International Strategic Registrations ("NSF") and affirms that the City's EMS meets ISO 14001. This international standard establishes a framework and criteria for a management system that allows an organization to analyze, control, and reduce the environmental impact of its activities, products, and services and operate with greater efficiency and control. In 2015, this standard for EMS was revised and now places a greater emphasis on leadership and the integration of environmental management into the core business process of the organization to achieve environmental performance and outcomes. The standard also recognizes that organizations can control and influence the way products, services, and activities are provided through a sound approach to the way assets are planned, designed, constructed, operated, and maintained. UUPI was the first utility in the world to receive certification from NSF to the new standard, and a recertification audit completed in July 2022 by NSF verified consistent conformance with those standards. In 2018, a similar standard for Occupational Health and Safety Systems was established by ISO. The ISO 45001 principles were integrated into the existing EMS and third-party certification was received, also through NSF, in November 2020. The implementation of these two ISO standards helps UUPI reduce risk to the City's employees, customers, and equipment, prevents the occurrence of workplace accidents, protects the environment, maintains regulatory compliance, and achieves continual improvement.

In 2020, the Florida Legislature passed Senate Bill 712 that amended Chapter 403 Florida Statutes and requires FDEP to adopt rules targeted at reducing the incidence of wastewater overflows from utility-owned collection systems.

In June 2023, a final order was issued that set a timeline for submittals to FDEP for a wastewater treatment plan and an onsite sewage treatment and disposal system plan if either are within the jurisdiction of

the local government. The City is working towards the draft submittal within the deadlines established by the FDEP and will work with FDEP on any comments received from the draft submittal for submission of the final completed plans by August 2024.

Asset Management (AM)

The Asset Management ("AM") program is a coordinated effort throughout the Systems. Programs are established to evaluate and maintain the infrastructure and critical assets of the City. The established AM programs for Water, Wastewater, and Stormwater utilize leading edge technology such as Pipeline Observation System Management ("POSM"), Geographical Information System ("GIS") and Computerized Work Management Systems ("CWMS"). These systems are used to inspect, manage repairs, evaluate replacement, and plan the maintenance of the City's critical infrastructure. An additional program was fully implemented for the TPS Facility and more than 100 wastewater pumping stations to complement the ongoing AM program. The program incorporates the framework of the EMS into a sustainable continuous improvement program. This program is designed to safeguard the TPS Facility and to meet Advanced Wastewater Treatment ("AWT") standards as well as protect the critical assets of the distributed system.

The AM plan has five elements that embody "best practices" including asset criticality, service levels, asset condition, planned maintenance, and business case evaluations. Asset criticality is used to evaluate how assets impact organizational performance requirements and support various maintenance decision-making models. Service level describes the necessary measures and performance of the system or assets to meet operational goals. The condition assessment provides a numerical rating to allow for the qualitative and quantitative evaluation of an asset by its reliability, operational performance, and physical deterioration. Planned maintenance is a scheduled service visit carried out to ensure that an asset is performing correctly and to avoid any unscheduled breakdown or downtime. Business case evaluation is a methodology that provides a framework for evaluating alternative solutions for capital projects or set of projects and scrutinizing those against a list of criteria that go beyond the typical financial and environmental consideration that also include community and social value benefits.

STORMWATER MANAGEMENT SYSTEM

General

The City operates and maintains the Stormwater Management System to serve the City's incorporated limits. It consists of approximately 434 stormwater management facilities, 29,246 drainage structures, 440 miles of enclosed storm drains, 228 miles of roadside ditches, 58 miles of minor to medium outfall ditches, and 23 miles of major outfall canals.

Funding for operations, maintenance, and expansion of the Stormwater Management System is generated through a stormwater utility fee. As opposed to an ad valorem tax assessment, this method of funding provides an equitable and reasonable approach to satisfying the community-wide cost of providing stormwater management services. Stormwater runoff is highly correlated to the impervious surface area on any given property and not well correlated to taxable value; therefore, the City uses the measurable impervious surface area of a property as the basis for the stormwater fee.

Management Discussion of Operations

During Fiscal Year 2023, operating revenues from the stormwater utility fee were \$21.6 million. Operating expenditures were \$16.8 million, and the stormwater replacement, renewal, and improvement transfer ("RR&I") totaled \$3.6 million, bringing total funds used to \$21.6 million. In accordance with City policy, the \$1,082,556 surplus was transferred to the Stormwater RR&I fund. This surplus was a result of revenues exceeding budgeted forecast by 2.8%. This was based on conservative projections that assumed no customer growth in Fiscal Year 2023. Expenditures for the fiscal year ended 2.3% less than the budgeted forecast.

The Stormwater Management System is operated on a full cost recovery basis with associated revenues and expenditures accounted for within the Stormwater Fund. In Fiscal Year 2023, the budget for maintenance activities was approximately \$9.8 million. A significant portion of annual revenue also supports capital improvements designed to enhance and expand the physical Stormwater Management System. The Fiscal Year 2024–2028 Five-Year Capital Improvement Program includes 12 projects with the reinvestment of Stormwater Drainage System revenue into the local economy and further improvement of infrastructure. The estimated cost of these projects is approximately \$41,516,050. At this time, no debt funding is anticipated for any ongoing or future stormwater projects.

During Fiscal Year 2023, the monthly base stormwater fee was \$9.45 per ERU. On October 1, 2023, this fee increased to \$10.06 per ERU using the positive percentage change in the CPI, as per City resolution. This change will generate estimated Fiscal Year 2024 revenues of \$21.04 million from residential and nonresidential service accounts.

For stormwater purposes, an ERU is the estimated impervious surface area associated with a typical single-family unit. This has statistically been determined to be 1,990 square feet. Non-residential land uses typically feature substantially more impervious surface area than do residential uses. To determine the stormwater fee for a non-residential parcel, the actual impervious surface area of the site is measured. This is then divided by the ERU base and the resulting multiple number of ERUs are then multiplied by the base monthly fee.

The Stormwater Maintenance System had an estimated 95,496 customers (98,864 service locations) at the end of Fiscal Year 2023. While approximately 93% of the customer base is residential, the remaining 7% is non-residential and generates approximately 53% of the annual revenue.

Pollution from stormwater is referred to as "non-point source pollution" as it originates from rainwater running off the land where it picks up a variety of pollutants. This is to be contrasted to "point sources" such as an industrial plant discharge pipe.

Due to its ubiquitous nature, non-point source (stormwater) pollution is very difficult to manage. The City of Tallahassee, the Environmental Protection Agency ("EPA"), and the Florida Department of

Environmental Protection (“FDEP”) have a variety of programs and regulations that provide a systematic approach to reduce stormwater pollution. Total maximum daily load (“TMDL”) regulations are one such example. These rules are directed toward entities that operate stormwater systems (e.g. cities, counties, universities, state highway departments, etc.) and limit the amount of pollution that can be discharged from storm sewers. These entities must take steps to regulate private property discharge into their systems. Construction of infrastructure designed to remove pollutants collected by runoff from older areas that were built before modern regulations were in effect is also required.

Another requirement designed to reduce stormwater pollution is the 2011 Florida Numeric Nutrient Criteria (“NNC”) rule that regulates nutrient concentration levels (primarily nitrogen and phosphorous) in lakes, streams, and springs. Cities and counties are required to develop both structural and non-structural techniques to assist in meeting these limits. Structural methods include the construction of ponds and other treatment systems to remove pollutants before the stormwater runoff reaches downstream waters (lakes and streams). Non-structural methods include programs like public education as well as regulations such as fertilizer ordinances that minimize nutrient levels. As local waters are assessed in the next few years using the NNC rule, one can expect that stormwater regulatory compliance will continue to be more complicated and increasingly expensive. The City has taken proactive steps to develop a funding source designed to meet the increasing costs of stormwater pollution reduction.

In February 2023, the City implemented a new utility billing software system. The manner in which customer counts are calculated changed as part of this implementation. As a result of this one-time adjustment, the reported number of customers served reflects a new methodology. Notwithstanding the change in the system, 2023 saw a continued trend of modest growth in the reporting period.

SELECTED CONSOLIDATED UTILITY SYSTEMS STATISTICS

Water System

<i>Fiscal Year Ended September 30</i>	2019	2020	2021	2022	2023
Miles of Water Mains	1,218	1,223	1,231	1,237	1,245
Plant Capacity (MGD)	76	79.4	79.4	79.4	79.4
Daily Average Consumption (MGD) ¹	27	28	26	25	25
Residential					
Average Number of Customers ²	70,579	71,238	71,715	71,664	77,129
Average Number of Service Points ³	77,209	77,790	78,579	78,830	76,461
Water Sold (000 gallons)	4,705,097	5,126,443	4,761,462	4,594,530	4,816,335
Average Sales Per Service Point (gallons)	60,943	65,900	60,595	58,284	62,991
Commercial					
Average Number of Customers ²	6,870	6,916	6,905	6,905	8,535
Average Number of Service Points ³	9,090	9,211	9,312	9,353	9,024
Water Sold (000 gallons)	4,062,097	4,174,047	3,953,073	4,162,151	4,812,389
Average Sales Per Service Point (gallons)	446,875	453,160	424,514	445,007	533,288

(1) Daily Average Consumption represents water produced, not a representation of amounts billed.

(2) Number of customers reflects bill recipients. Multiple service points may be consolidated into a single bill. Therefore, service points are greater than customers billed.

(3) Service Points reflect the number of service points (i.e., service connections) billed.

Wastewater System

<i>Fiscal Year Ended September 30</i>	2019	2020	2021	2022	2023
Miles of Sanitary Sewers	1,057	1,064	1,071	1,077	1,083
Annual Flow-Millions of Gallons	6,863	5,971	6,447	6,283	6,413
Daily Average Treatment (MGD)	19.20	16.28	17.67	17.21	17.57
Rainfall (fiscal year totals)	52.49	60.68	51.30	59.73	58.8
Gallons Treated Per Customer	103,483	79,638	85,119	92,982	89,650
Average Number of Service Points					
Residential	67,408	68,145	68,849	69,089	64,503
Commercial	6,738	6,832	6,891	6,838	6,703
Rated Capacity (MGD)	27	27	27	27	27

Water Rates (Effective October 1, 2023)

Monthly Rate:

Customer Charge \$10.20/month

Usage Charges:Residential

First 5,000 gallons \$2.40/1,000 gallons

Next 10,000 gallons \$3.31/1,000 gallons

Additional gallons \$4.16/1,000 gallons

Commercial

Up to monthly usage allowance \$2.40/1,000 gallon

Additional gallons \$2.87/1,000 gallons

Irrigation

Up to monthly usage allowance \$2.40/1,000 gallons

Additional gallons \$4.16/1,000 gallons

Monthly Minimum Charge:Nominal Meter Size (inches)**Amount**

5/8 or Smaller \$ 16.21

1 \$ 40.26

1 1/2 \$ 80.41

2 \$ 128.74

3 \$ 257.13

4 \$ 401.65

6 \$ 803.20

8 \$1285.06

Wastewater Rates (Effective October 1, 2023)

Monthly Minimum Charge:Nominal Meter Size (inches)**Amount**

5/8 or Smaller \$ 23.84

1 \$ 59.59

1 1/2 \$ 119.14

2 \$ 190.62

3 \$ 381.20

4 \$ 595.61

6 \$1,191.23

8 \$1,906.00

Monthly Usage Charge:

Usage Charge Per 1000 Gallons Per Month \$7.62/month

Water System Ten Largest Customers by Consumption (as of September 30, 2023)

Customer	Water Usage (cgals)	Billed Amount	Percentage of Revenues
Florida State University	3,890,693	\$ 1,224,255	3.05%
City of Tallahassee	2,674,337	949,005	2.36%
State of Florida	1,700,619	533,676	1.33%
Tallahassee Memorial Healthcare	1,531,990	495,646	1.23%
Florida A & M University	1,353,828	405,831	1.01%
Federal Government	1,105,442	313,111	0.78%
Leon County School Board	1,001,754	310,052	0.77%
Leon County Board of Commissioners	517,996	174,185	0.43%
Paradigm Properties	339,002	145,744	0.36%
LCP Tallahassee LLC	<u>304,993</u>	<u>85,875</u>	<u>0.21%</u>
TOTAL	<u>14,420,654</u>	<u>\$ 4,637,380</u>	<u>11.53%</u>

Wastewater System Ten Largest Customers by Consumption (as of September 30, 2023)

Customer	Wastewater Usage (cgals)	Billed Amount	Percentage of Revenues
Florida State University	1,998,238	\$ 2,281,286	3.10%
Federal Government	1,012,929	844,071	1.15%
Tallahassee Memorial Healthcare	938,445	760,513	1.03%
Florida A&M University	934,687	913,408	1.24%
State of Florida	741,211	841,423	1.14%
Leon County School Board	643,769	667,788	0.91%
City of Tallahassee	520,902	550,738	0.75%
Paradigm Properties	339,161	317,860	0.43%
Leon County Board of Commissioners	292,766	269,382	0.37%
LCP Tallahassee LLC	<u>286,485</u>	<u>245,708</u>	<u>0.33%</u>
TOTAL	<u>7,708,593</u>	<u>\$ 7,692,177</u>	<u>10.45%</u>

Consolidated Utility Systems Debt Service Coverage (in 000's)¹

<i>Fiscal Year Ended September 30</i>	2019	2020	2021	2022	2023
Operating Revenues					
Water	\$ 36,859	\$ 40,458	\$ 39,816	\$ 42,690	\$ 46,766
Sewer	<u>62,451</u>	<u>64,302</u>	<u>64,876</u>	<u>70,644</u>	<u>77,316</u>
Total Operating Revenues	<u>99,310</u>	<u>104,760</u>	<u>104,692</u>	<u>113,334</u>	<u>124,082</u>
Operating Expenses					
Water	23,430	26,220	27,728	28,932	32,205
Sewer	<u>35,204</u>	<u>40,678</u>	<u>42,965</u>	<u>41,702</u>	<u>47,939</u>
Total Operating Expenses	<u>58,634</u>	<u>66,898</u>	<u>70,693</u>	<u>70,634</u>	<u>80,144</u>
Net Operating Revenue	40,676	37,862	33,999	42,700	43,938
Gross Stormwater Revenue	19,573	19,631	20,865	20,756	23,864
Other Revenue	<u>988</u>	<u>1,060</u>	<u>500</u>	<u>192</u>	<u>1,154</u>
Total Available for Debt Service excluding system charge	<u>61,237</u>	<u>58,553</u>	<u>55,364</u>	<u>63,648</u>	<u>68,956</u>
System Development Charges	1,472	2,007	2,043	2,454	1,600
Total Pledged Revenue Available for Debt Service	<u>\$ 62,709</u>	<u>\$ 60,560</u>	<u>\$ 57,407</u>	<u>\$ 66,102</u>	<u>\$ 70,556</u>
Existing Debt Service	\$ 25,938	\$ 26,257	\$ 25,922	\$ 25,400	\$ 25,773
Coverage	2.42x	2.31x	2.21x	2.60x	2.74x

(1) Calculation of the Debt Service Coverage Ratio conforms with GAAP and included adjusted revenues and expenses as recorded in the Annual Consolidated Financial Report.

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
CONSOLIDATED DEBT SERVICE**

Bond Year			\$34,720,000	\$14,875,000	\$45,385,000	\$115,060,000	\$117,015,000
Ending		Total	Series 2023	Series 2020	Series 2018	Series 2017	Series 2010A
October 1							
2024	\$	25,769,711	\$ 3,958,408	\$ 2,951,750	\$ 3,640,000	\$ 9,135,250	\$ 6,084,303
2025		25,768,561	3,958,009	2,949,250	3,642,500	9,134,500	6,084,303
2026		25,767,705	3,960,153	2,950,500	3,640,500	9,132,250	6,084,303
2027		26,230,998	3,954,696	-	3,644,000	9,133,000	9,499,303
2028		26,236,513	4,016,782	-	3,642,500	9,136,000	9,441,231
2029		26,233,219	4,079,389	-	3,641,000	9,130,500	9,382,330
2030		26,230,220	4,147,372	-	3,639,250	9,131,250	9,312,348
2031		26,236,230	2,355,442	-	3,642,000	9,137,250	11,101,538
2032		26,235,222	2,457,209	-	3,643,750	9,132,500	11,001,764
2033		26,231,905	2,569,351	-	3,639,250	9,131,750	10,891,554
2034		26,239,844	2,681,436	-	3,643,500	9,134,000	10,780,908
2035		26,226,623	2,788,319	-	3,640,750	9,133,250	10,664,304
2036		23,316,231	-	-	3,641,000	9,128,750	10,546,481
2037		23,195,418	-	-	3,643,750	9,129,750	10,421,918
2038		25,388,854	-	-	3,643,500	-	21,745,354
2039		21,403,805	-	-	-	-	21,403,805
2040		21,054,122	-	-	-	-	21,054,122
TOTALS	\$	<u>427,765,179</u>	<u>40,926,564</u>	<u>8,851,500</u>	<u>54,627,250</u>	<u>127,860,000</u>	<u>195,499,865</u>

**CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
ALL BOND ISSUES
PRINCIPAL OUTSTANDING**

Bond Year		\$34,720,000	\$14,875,000	\$45,385,000	\$115,060,000	\$117,015,000
Ending		Series 2023	Series 2020	Series 2018	Series 2017	Series 2010A
October 1	Total					
2024	\$ 11,870,000	\$ 2,955,000	\$ 2,550,000	\$ 1,750,000	\$ 4,615,000	\$ -
2025	12,400,000	3,040,000	2,675,000	1,840,000	4,845,000	-
2026	12,955,000	3,130,000	2,810,000	1,930,000	5,085,000	-
2027	14,000,000	3,215,000	-	2,030,000	5,340,000	3,415,000
2028	14,640,000	3,370,000	-	2,130,000	5,610,000	3,530,000
2029	15,300,000	3,530,000	-	2,235,000	5,885,000	3,650,000
2030	15,990,000	3,700,000	-	2,345,000	6,180,000	3,765,000
2031	16,720,000	2,015,000	-	2,465,000	6,495,000	5,745,000
2032	17,525,000	2,175,000	-	2,590,000	6,815,000	5,945,000
2033	18,365,000	2,350,000	-	2,715,000	7,155,000	6,145,000
2034	19,255,000	2,530,000	-	2,855,000	7,515,000	6,355,000
2035	20,165,000	2,710,000	-	2,995,000	7,890,000	6,570,000
2036	18,220,000	-	-	3,145,000	8,280,000	6,795,000
2037	19,025,000	-	-	3,305,000	8,695,000	7,025,000
2038	22,185,000	-	-	3,470,000	-	18,715,000
2039	19,350,000	-	-	-	-	19,350,000
2040	<u>20,010,000</u>	-	-	-	-	<u>20,010,000</u>
TOTALS	<u>\$ 287,975,000</u>	<u>\$ 34,720,000</u>	<u>\$ 8,035,000</u>	<u>\$ 37,800,000</u>	<u>\$ 90,405,000</u>	<u>\$ 117,015,000</u>

\$34,720,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Refunding Revenue Bond, Series 2023

Dated: October 1, 2023

Purpose

The Series 2023 Bond was issued in exchange for and in order to refinance the Consolidated Utility System Refunding Revenue Bonds, Series 2022.

The Series 2022 Bond was issued on a taxable basis in a principal amount not to exceed \$34,720,000. The Series 2023 Bond was issued at a tax-exempt fixed-rate of interest for twelve years.

Security

The Series 2023 Bond is payable solely from and secured by a lien on and pledge of the Net Revenues of the City's Water System, Sewer System on a parity with the Consolidated Utility Systems Revenue Bonds, Series 2020, the Consolidated Utility Systems Revenue Bonds, Series 2018, the Consolidated Utility Systems Refunding Revenue Bonds, Series 2017 and Consolidated Utility Systems Revenue Bonds, Series 2010A.

Bond Reserve

There are no debt service reserve fund requirements.

Form

The 2023 Series Bond, all fully registered, due October 1, 2035. The Note is book-entry-only and is not evidenced by a physical certificate. The Note was priced competitively and issued as a private placement, with Truist as the original purchaser. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2024.

Agents

Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Fitch: N/A

Standard & Poor's: N/A

Optional Prepayment

The Series 2023 Bond is subject to mandatory tender at the option of the Issuer, in whole on any date on or after October 1, 2023, subject to the terms in the resolution and with fourteen days' prior written notice to the Original Purchaser.

\$34,720,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEM REFUNDING REVENUE BOND, SERIES 2023

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate*	Principal	Interest	Total
October 1				
2024	2.890%	\$ 2,955,000	\$ 1,003,408	\$ 3,958,408
2025	2.890%	3,040,000	918,009	3,958,009
2026	2.890%	3,130,000	830,153	3,960,153
2027	2.890%	3,215,000	739,696	3,954,696
2028	2.890%	3,370,000	646,782	4,016,782
2029	2.890%	3,530,000	549,389	4,079,389
2030	2.890%	3,700,000	447,372	4,147,372
2031	2.890%	2,015,000	340,442	2,355,442
2032	2.890%	2,175,000	282,209	2,457,209
2033	2.890%	2,350,000	219,351	2,569,351
2034	2.890%	2,530,000	151,436	2,681,436
2035	2.890%	<u>2,710,000</u>	<u>78,319</u>	<u>2,788,319</u>
TOTALS		<u>\$ 34,720,000</u>	<u>\$ 6,206,564</u>	<u>\$40,926,564</u>

\$14,875,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Refunding Revenue Bonds, Series 2020

Dated: August 6, 2020

Purpose

The Series 2020 Bonds were issued to refund on a current basis the City's outstanding Consolidated Utility Systems Revenue Bonds, Series 2010B.

The Series 2010B Bonds were issued to pay the cost of the plan, design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant, to include a new biosolids building and equipment and improvements to reduce effluent nitrogen, and other changes to accommodate nutrient removal.

Security

The Series 2020 Bonds are secured by a lien on and pledge of the Net Revenues of the City's Utility System and the Gross Revenues of the City's Stormwater Drainage System on a parity with the City's Consolidated Utility Systems Refunding Revenue Bond, Series 2023, the Consolidated Utility Systems Revenue Bonds, Series 2018, the Consolidated Utility Systems Refunding Bonds, Series 2017, and the Consolidated Utility Systems Revenue Bonds, Series 2010A.

Bond Reserve

There are no debt service reserve fund requirements.

Form

The 2020 Series Bonds, all fully registered, due October 1, 2026. The Bonds are book entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2021.

Agents

Registrar: US Bank National Association, Jacksonville, Florida
Paying Agent: US Bank National Association, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Fitch: AA+
Standard & Poor's: AA

Optional Redemption

The Series 2020 Bonds are not subject to optional redemption prior to maturity.

\$14,875,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REFUNDING REVENUE BONDS, SERIES 2020

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1	Rate	Principal	Interest	Total
2024	5.000%	\$ 2,550,000	\$ 401,750	\$ 2,951,750
2025	5.000%	2,675,000	274,250	2,949,250
2026	5.000%	<u>2,810,000</u>	<u>140,500</u>	<u>2,950,500</u>
TOTALS		<u>\$ 8,035,000</u>	<u>\$ 816,500</u>	<u>\$ 8,851,500</u>

\$45,385,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Revenue Bonds, Series 2018

Dated: June 12, 2018

Purpose

The Series 2018 Bonds were used to finance the cost of well and water distribution improvements and Sewer System transmission upgrades.

Security

The Bonds are secured by a pledge of and lien on the Net Revenues of the City's Utility System, and the Gross Revenues of the City's Stormwater Drainage System on a parity with the City's Consolidated Utility Systems Refunding Revenue Bond, Series 2023, the Consolidated Utility Systems Refunding Revenue Bonds, Series 2020, the Consolidated Utility Systems Refunding Bonds, Series 2017, and the Consolidated Utility Systems Revenue Bonds, Series 2010A.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$45,385,000 Serial Bonds, all fully registered, due October 1, 2038. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable on each April 1 and October 1, commencing October 1, 2018.

Agents

Registrar:	The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida
Paying Agent:	The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida
Bond Counsel:	Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Fitch:	AA+
Standard & Poor's:	AA

Optional Redemption

The Series 2018 Bonds maturing on or prior to October 1, 2025, are not subject to redemption prior to maturity. The Series 2018 Bonds maturing after October 1, 2025 are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time (if in part, the maturities and principal amount to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2025, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

\$45,385,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS REVENUE BONDS, SERIES 2018

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1	Rate			
2024	5.000%	\$ 1,750,000	\$ 1,890,000	\$ 3,640,000
2025	5.000%	1,840,000	1,802,500	3,642,500
2026	5.000%	1,930,000	1,710,500	3,640,500
2027	5.000%	2,030,000	1,614,000	3,644,000
2028	5.000%	2,130,000	1,512,500	3,642,500
2029	5.000%	2,235,000	1,406,000	3,641,000
2030	5.000%	2,345,000	1,294,250	3,639,250
2031	5.000%	2,465,000	1,177,000	3,642,000
2032	5.000%	2,590,000	1,053,750	3,643,750
2033	5.000%	2,715,000	924,250	3,639,250
2034	5.000%	2,855,000	788,500	3,643,500
2035	5.000%	2,995,000	645,750	3,640,750
2036	5.000%	3,145,000	496,000	3,641,000
2037	5.000%	3,305,000	338,750	3,643,750
2038	5.000%	<u>3,470,000</u>	<u>173,500</u>	<u>3,643,500</u>
TOTALS		<u>\$ 37,800,000</u>	<u>\$ 16,827,250</u>	<u>\$ 54,627,250</u>

\$115,060,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Refunding Bonds, Series 2017

Dated: November 29, 2017

Purpose

The Series 2017 Bonds were issued to refund on a current basis the portion of the City's outstanding Consolidated Utility Systems Revenue Bonds, Series 2007.

The Series 2007 Bonds were issued to pay the cost of construction of a new preliminary treatment facility at the Lake Bradford Road Wastewater Treatment Plant, and the design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant.

Security

The Bonds are secured by a pledge of and lien on the Net Revenues of the City's Utility System, and the Gross Revenues of the City's Stormwater Drainage System on a parity with the City's Consolidated Utility Systems Refunding Revenue Bond, Series 2023, the Consolidated Utility Systems Refunding Revenue Bonds, Series 2020, the Consolidated Utility Systems Revenue Bonds, Series 2018, and the Consolidated Utility Systems Revenue Bonds, Series 2010A.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$115,060,000 Serial Bonds, all fully registered, due October 1, 2037. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable on each April 1 and October 1, commencing April 1, 2018.

Agents

Registrar: US Bank National Association, Jacksonville, Florida
Paying Agent: US Bank National Association, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Fitch: AA+
Standard & Poor's: AA

Optional Redemption

The Series 2017 Bonds maturing on or prior to October 1, 2024, are not subject to redemption prior to maturity. The Series 2017 Bonds maturing after October 1, 2024 are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time (if in part, the maturities and principal amount to be redeemed are to be determined by the City in its sole discretion) on or after October 1, 2024, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

\$115,060,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS
REFUNDING BONDS, SERIES 2017

Summary of Remaining Debt Service Requirements

Bond Year	Interest			
Ending	Rate	Principal	Interest	Total
October 1	Rate	Principal	Interest	Total
2024	5.000%	\$ 4,615,000	\$ 4,520,250	\$ 9,135,250
2025	5.000%	4,845,000	4,289,500	9,134,500
2026	5.000%	5,085,000	4,047,250	9,132,250
2027	5.000%	5,340,000	3,793,000	9,133,000
2028	5.000%	5,610,000	3,526,000	9,136,000
2029	5.000%	5,885,000	3,245,500	9,130,500
2030	5.000%	6,180,000	2,951,250	9,131,250
2031	5.000%	6,495,000	2,642,250	9,137,250
2032	5.000%	6,815,000	2,317,500	9,132,500
2033	5.000%	7,155,000	1,976,750	9,131,750
2034	5.000%	7,515,000	1,619,000	9,134,000
2035	5.000%	7,890,000	1,243,250	9,133,250
2036	5.000%	8,280,000	848,750	9,128,750
2037	5.000%	<u>8,695,000</u>	<u>434,750</u>	<u>9,129,750</u>
TOTALS		<u>\$ 90,405,000</u>	<u>\$ 37,455,000</u>	<u>\$ 127,860,000</u>

\$117,015,000
CITY OF TALLAHASSEE, FLORIDA
Consolidated Utility Systems Revenue Bonds, Series 2010A
(Federally Taxable Build America Bonds)

Dated: September 21, 2010

Purpose

The Series 2010A Bonds were issued to pay the cost of (i) plan, design and construction of upgrades to the Thomas P. Smith Wastewater Treatment Plant, to include a new biosolids building and equipment and improvements to reduce effluent nitrogen, and other changes to accommodate nutrient removal, and (ii) Water System improvements, including but not limited to water line relocations, water main upgrades, well renovations, replacements and upgrades and building improvements.

Security

The Bonds are secured by a pledge of and lien on the net revenues of the City's Utility System, and the gross revenues of the City's Stormwater Drainage System on parity with the City's Consolidated Utility Systems Refunding Revenue Bond, Series 2023, the Consolidated Utility Systems Refunding Revenue Bonds, Series 2020, the Consolidated Utility Systems Revenue Bonds, Series 2018, the Consolidated Utility Systems Refunding Bonds, Series 2017.

Bond Reserve

There are no debt service reserve fund requirements.

Form

\$117,015,000 Serial Bonds, all fully registered, due October 1, 2040. The Bonds are book-entry-only and are not evidenced by physical bond certificates. Interest is payable semi-annually on each April 1 and October 1, commencing April 1, 2011.

Agents

Registrar: US Bank National Association, Jacksonville, Florida
Paying Agent: US Bank National Association, Jacksonville, Florida
Bond Counsel: Bryant Miller Olive P.A., Tallahassee, Florida

Ratings at issuance

Moody's: Aa1
Standard & Poor's: AA+
Fitch: AA+

Optional Redemption

The Series 2010A Bonds are subject to redemption at the option of the City prior to their stated maturities in whole or in part at any time, in the order directed by the City and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed shall be selected as described below under "*Partial Redemption of Series 2010A Bonds*" at a redemption price equal to the Make-Whole Redemption Price. The "Make-Whole Redemption Price" is equal to the greater of: (1) the Issue Price (as defined below) (but not less than 100%) of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of the Series 2010A Bonds to be redeemed, not including any

portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (as defined below), plus 25-basis points, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date.

"Issue Price" shall mean 100% of the Series 2010A Bonds to be redeemed.

"Treasury Rate" means, with respect to any redemption date for a particular Series 2010A Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity, excluding inflation indexed securities (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days, but not more than for 45 calendar days, prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market date) most nearly equal to the period from the redemption date to the maturity date of the Series 2010A Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The redemption price of Series 2010A Bonds to be redeemed pursuant to the *Optional Redemption* provision described above will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Registrar and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance. The Series 2010A Bonds are subject to optional redemption at the option of the City prior to their stated maturities in whole or in part at any time, in the order directed by the City and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed at a redemption price equal to the Make-Whole Redemption Price. The Make-Whole Redemption Price is equal to the greater of any order of maturity selected by the City and by lot within a maturity if less than full maturity is to be redeemed, at par, plus accrued interest to the redemption date.

Extraordinary Optional Redemption

The Series 2010A Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the City and in the order directed by the City, in whole or in part at any time upon the occurrence of an Extraordinary Event (as defined below), from any source of available funds, and in the event that less than all of such Series 2010A Bonds of any maturity are called for redemption, the particular Series 2010A Bonds of such maturity to be redeemed shall be selected as described below under "*Partial Redemption of Series 2010A Bonds*," at a redemption price equal to the Extraordinary Redemption Price (as defined below).

The "Extraordinary Redemption Price" is equal to the greater of: (1) the Issue Price (as described above) (but not less than 100%) of the principal amount of the Series 2010A Bonds to be redeemed, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date; or (2) the sum of the present value of the remaining scheduled payments of principal and interest on the Series 2010A Bonds to be redeemed to the maturity date of such Series 2010A Bonds, not including any portion of those payments of interest accrued and unpaid as of the date on which the Series 2010A Bonds are to be redeemed, discounted to the date on which the Series 2010A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year containing twelve 30-day months, at the Treasury Rate (described above) plus 100-basis points, plus accrued interest on the Series 2010A Bonds to be redeemed to the redemption date. An "Extraordinary Event" will have occurred if a material adverse change has occurred to Sections 54AA or 6431 of the Code (as such Sections were added by the ARRA pertaining to Build American Bonds) pursuant to which the City's 35% Direct Subsidy Payments from the United States Department of the Treasury is reduced or eliminated. The redemption price of Series 2010A Bonds to be redeemed pursuant to the Extraordinary Optional Redemption provision described above will be determined by an independent accounting firm,

investment banking firm or financial advisor retained by the City at the City's expense to calculate such redemption price. The Registrar and the City may conclusively rely on such determination of redemption price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

Mandatory Redemption

The Series 2010A Bonds maturing on October 1, 2030, are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2027, and thereafter, at redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>Year</u>	<u>Amount</u>
2027	\$3,415,000
2028	\$3,530,000
2029	\$3,650,000
2030 (final maturity)	\$3,765,000

The Series 2010A Bonds maturing on October 1, 2040, are subject to mandatory sinking fund redemption prior to maturity by operation of Amortization Installments in part, by lot, on October 1, 2031, and thereafter, at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking fund payments as follows:

<u>Year</u>	<u>Amount</u>
2031	\$5,745,000
2032	\$5,945,000
2033	\$6,145,000
2034	\$6,355,000
2035	\$6,570,000
2036	\$6,795,000
2037	\$7,025,000
2038	\$18,715,000
2039	\$19,350,000
2040 (final maturity)	\$20,010,000

Pursuant to the provisions of the Bond Resolution, the Registrar has been instructed to apply mandatory sinking fund redemption payments in the manner set forth under "*Partial Redemption of the Series 2010A Bonds*" herein.

Partial Redemption of Series 2010A Bonds. If less than all of the Series 2010A Bonds of a particular maturity are called for optional redemption as set forth under "*Optional Redemption*" above, extraordinary optional redemption as set forth under "*Extraordinary Optional Redemption*" above, or mandatory redemption as set forth under "*Mandatory Sinking Fund Redemption*" hereof, the City has directed the Registrar to treat as a return of principal on the Series 2010A Bonds within such maturity as a Pro Rata Pass-Through Distribution of Principal (as hereinafter defined); provided, however, that so long as the Series 2010A Bonds are held in book-entry form, the redemption of the Series 2010A Bonds as a Pro Rata Pass-Through Distribution of Principal shall be effected by the Registrar pursuant to the rules or procedures of DTC or any successor securities depository. Such payments are subject to rules and procedures of DTC and none of the City, the Underwriters or any affiliate thereof can provide assurance that DTC, the direct and indirect DTC participants or any other intermediaries will be able to allocate redemptions of the Series 2010A Bonds of a particular maturity among the Holders of the Series 2010A Bonds on such a pro rata basis. In any case, the Registrar will be directed to pay such amounts to the Holders of the Series 2010A Bonds using any method as it deems fair and appropriate, including by lot where required by DTC's governing procedures; however, it is the intent of the City that principal is paid to the Holders of the Series 2010A Bonds under the Pro Rata Pass-Through Distribution of Principal.

"Pro Rata Pass-Through Distribution of Principal" means a return of principal to Holders of the Series 2010A Bonds in an amount derived from applying a fraction to the amount of Series 2010A Bonds owned by a Holder of Series 2010A Bonds where the numerator is equal to the principal amount of the Series 2010A Bonds to be redeemed and the denominator is equal to the original principal amount of the Series 2010A Bonds of such maturity being redeemed.

\$117,015,000
CITY OF TALLAHASSEE, FLORIDA
CONSOLIDATED UTILITY SYSTEMS REVENUE BONDS
SERIES 2010A BABS

Summary of Remaining Debt Service Requirements

Bond Year Ending October 1	Interest Rate	Principal	Interest	Total
2024	5.200%	\$ -	\$ 6,084,303	\$ 6,084,303
2025	5.200%	-	6,084,303	6,084,303
2026	5.200%	-	6,084,303	6,084,303
2027	5.068%	3,415,000	6,084,303	9,499,303
2028	5.068%	3,530,000	5,911,231	9,441,231
2029	5.068%	3,650,000	5,732,330	9,382,330
2030	5.068%	3,765,000	5,547,348	9,312,348
2031	5.218%	5,745,000	5,356,538	11,101,538
2032	5.218%	5,945,000	5,056,764	11,001,764
2033	5.218%	6,145,000	4,746,554	10,891,554
2034	5.218%	6,355,000	4,425,908	10,780,908
2035	5.218%	6,570,000	4,094,304	10,664,304
2036	5.218%	6,795,000	3,751,481	10,546,481
2037	5.218%	7,025,000	3,396,918	10,421,918
2038	5.218%	18,715,000	3,030,354	21,745,354
2039	5.218%	19,350,000	2,053,805	21,403,805
2040	5.218%	<u>20,010,000</u>	<u>1,044,122</u>	<u>21,054,122</u>
TOTALS		<u>\$ 117,015,000</u>	<u>\$ 78,484,865</u>	<u>\$ 195,499,865</u>

\$14,564,780
CITY OF TALLAHASSEE, FLORIDA
Master Equipment Lease Purchase Agreement (AMI Loans)
Water System

Dated: 2007 and 2009

Purpose

The Master Lease Purchase Agreement was utilized to fund the acquisition of Smart Energy Metering and Management Systems, consisting of meters and communication devices, to create a network of approximately 220,000 electric, gas and water meters.

Security

The rental payments are to be made only from lessee's legally available revenues appropriated on an annual basis (covenant to budget and appropriate).

Purchase Option

Upon payment in full of all rental payments then due and all other amounts then owing under the lease, and the payment of \$1.00 to lessor.

Lessor: Banc of America

\$14,564,780
CITY OF TALLAHASSEE, FLORIDA – WATER
MASTER EQUIPMENT LEASE/PURCHASE AGREEMENT
BANC OF AMERICA PUBLIC CAPITAL CORPORATION

Summary of Remaining Lease Payments

Bond Year				
Ending	Interest			
October 1	Rate	Principal	Interest	Total
2024	3.9459%	<u>\$ 1,334,400</u>	<u>\$ 39,619</u>	<u>\$ 1,374,019</u>
TOTALS		<u>\$ 1,334,400</u>	<u>\$ 39,619</u>	<u>\$ 1,374,019</u>

OTHER DEBT FINANCING

Sunshine State Governmental Financing Commission

The Sunshine State Governmental Financing Commission (the “Commission”) was created in 1985 through an interlocal agreement between the City of Tallahassee and the City of Orlando, Florida. Subsequently, a number of other Florida cities and counties joined the Commission. The Commission was created to provide active and more sophisticated debt issuers the opportunity to work together to create low cost, flexible financing instruments. The Sunshine State Governmental Financing Commission was dissolved on April 5, 2023.

Conduit Issues, Non-Profit Organizations

The City has also acted as a conduit for the issuance of bonds for three non-profit organizations in the City: Tallahassee Memorial HealthCare, Inc., Florida State University Schools, Inc., and Tallahassee Community College Foundation, Inc. Tallahassee Memorial HealthCare, Inc. currently has four bond issues outstanding for which the City has acted as a conduit. Florida State University Schools, Inc. has one Lease Revenue bond issue outstanding.

- As of September 30, 2023, there were four series of Health Facilities Revenue Refunding Bonds outstanding. The original issue amounts totaled \$357,300,000, and the outstanding balance is \$337,740,000; and
- As of September 30, 2023, there was one Lease Revenue Bond outstanding. The original issue amount totaled \$18.1 million, and the outstanding balance is \$3,283,235.

Conduit Issues, Industrial Development, and Industrial Revenue Bonds

From time to time the City also acts as a conduit issuer for private industries in the issuance of Industrial Development Revenue Bonds. On August 15, 2011, conduit bonds were issued as \$5,400,000 City of Tallahassee, Florida Industrial Revenue Bonds (SunnyLand Solar, LLC Project), Series 2011. Under the terms of the bond, the entity on whose behalf the bonds are issued (Tallahassee Economic Partners, LLC) is solely responsible for their repayment with no resulting liability on behalf of the City.

- As of September 30, 2023, the outstanding balance on the Series 2011 Industrial Revenue Bonds is \$4,469,123.